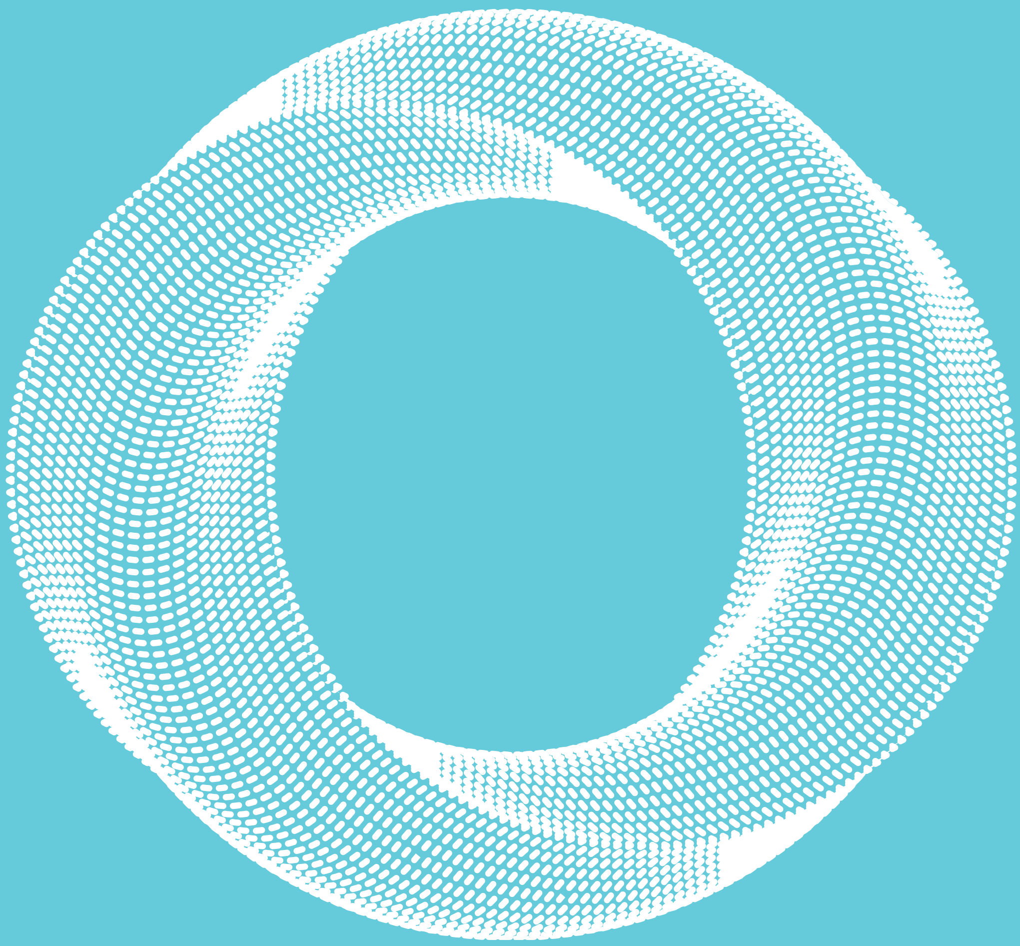
# ANNUAL REPORT 2019

## AND FINANCIAL STATEMENTS



THRIVE RENEWABLES

WWW.THRIVERENEWABLES.CO.UK



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Design www.greenhat.studio

# OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS
The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Simon Roberts (Chair)
Matthew Clayton (Managing Director)
Peter Weston
Katie Gordon
Colin Morgan
Tania Songini
Charles Middleton
Katrina Cross (Finance Director)

### COMPANY SECRETARY
Katrina Cross

### REGISTERED OFFICE
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### BANKERS
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BS1 5AS

### SOLICITORS
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BS1 6TP

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Woodwater House
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EX2 5WR

### INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol
BS2 0FR

# CHAIR'S STATEMENT

Dear Shareholder

It's 25 years since Thrive Renewables (then the Wind Fund) was established, channelling into practical action a shared belief in a more sustainable energy future. Over the last quarter of a century we've seen a transformation in the way that the UK, and indeed the world, generates its electricity. Renewable technologies now look set to become the world's leading energy source, having dominated global investment in new generating capacity for some years now. As shareholders in Thrive you should feel proud of the role you have played in the transition of renewable energy from an alternative niche to the mainstream.

We may remember 2019 as the year in which the world caught up with Thrive's investors, recognising the urgency of addressing climate change and the crucial role for individual responsibility and action alongside systemic change. This resulted from two irresistible forces. First, the overwhelming evidence of the need for radical change to avoid dangerous climate change and ecological breakdown. And second, the unparalleled public demands for political action coming from striking school children, Extinction Rebellion and the wider public, all made with a hugely effective combination of the superbly orchestrated, the engagingly creative and the disarmingly spontaneous.

Thrive's approach of providing individuals with opportunities to make direct investments in renewable energy has never been more relevant. Particularly as the world's financial sector finally wakes up to the material risk of carbon-intensive business as usual.

In addition to celebrating the positive impact of Thrive - investing in 22 renewable projects, and avoiding the emissions of more than 768,000 $tCO_2e$ over the last 25 years - we also demonstrated the financial returns which can be achieved by being pioneer investors in renewable energy as it goes mainstream. By selling two of our wind farms in 2019's favourable market conditions, we have been able to realise a £15.4m gain and pay our shareholders a 40p interim dividend. Additionally, we retained £11m for reinvestment, providing the opportunity to 'double up' the positive environmental impact; the two wind farms we sold continue to generate renewable electricity under new ownership and we have now committed the capital released to the construction of three new renewable electricity projects.

The sale of the two wind farms in February 2019 has meant that, following a trend of growth in the portfolio of projects since 2005, the 2019 underlying operational results are approximately 20% below 2018. This is principally because the sales have temporarily reduced the operational portfolio. But we have also experienced some operating challenges, in particular caused by the insolvency of one of our main maintenance contractors. Despite this dip in operational performance relative to 2018, we generated an operating profit of £4.1m and the financial health of the company is strong. We are therefore recommending a 7p final dividend at this year's AGM.

The journey for renewables from novel 'alternative' technologies to the mainstream was never likely to be a smooth one. The transition period we find the UK's electricity market in presently, with subsidies removed and national planning guidance lagging behind the climate emergency and net zero targets, makes growth challenging. But we are finding new opportunities and are investing in three new projects - a wind farm in Scotland which will supply power directly to local businesses (without subsidies), a hydro electric project in Scotland providing much needed baseload renewable electricity and the UK's first deep geothermal electricity and heat project in Cornwall. Thrive continues to work with developers who are committed to realising projects which perform environmentally, financially and socially.

As I write this, the COVID-19 pandemic is creating significant personal, social and economic challenges for us all. As an operator of critical national infrastructure – electricity generation – Thrive remains committed to operating our wind and hydro electricity generation projects safely, and, where possible in these constrained times, finding new opportunities to grow our portfolio.

We also recognise that, in spite of this immediate upheaval, the challenge of addressing the climate emergency has not gone away. The need for Thrive's experience and investment remains. The value of our shareholders' support for our work is greater than ever.

Thank you.

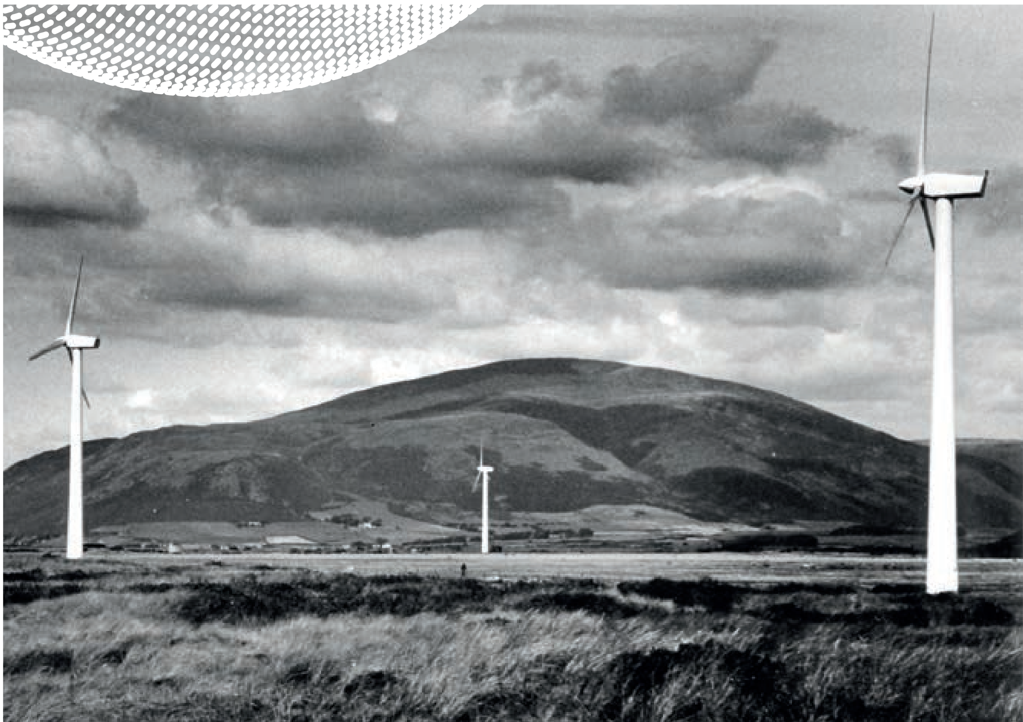
Simon Roberts OBE
Chair of the Board of Thrive Renewables Plc


THRIVE RENEWABLES

25

YEARS

INVESTING IN CLEAN ENERGY



# THRIVE IS 25!

Thrive has been providing a way for people to deliver progress and impact for a quarter of a century. Over that time, we've generated enough renewable electricity in total to meet the needs of a million UK residents[1]. We now unite a community of over 6,000 investors and thanks to them have built or funded 22 renewable energy projects, with three more under construction.

When we were established, renewables accounted for only 2% of UK electricity generation, it has now soared to 36.9%[2]. UK $CO_2$ emissions have fallen 29% over the last decade and are now at levels last seen over a hundred years ago, in 1883[3]. This progress provides hope that with the right support from government, businesses, society and individuals can come together to reach 'net zero' carbon emissions. The UK government recently committed to reaching 'net zero' by 2050 and we are beginning to see changes in policy which reflect that. This hope is underpinned by the huge wave of support for radical climate action we have seen from many parts of society from children to bankers.

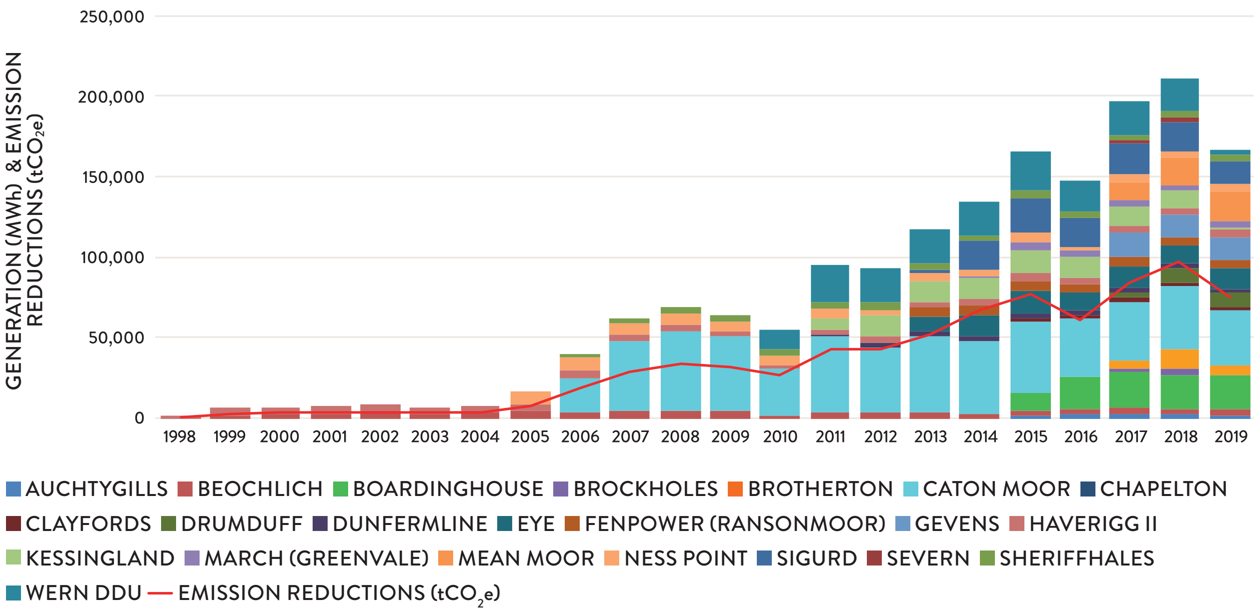
Our mission is now more vital than ever. While we learn from and celebrate the past, we are focused on the future as we transition to a cleaner world where we no longer plunder from nature without a thought for long-term consequences. We are more determined than ever to play our role in enabling small investors to directly address climate change.

[1] Cumulative generation since 1998, average UK homes equivalent consumption of 3.781MWh/p.a./UK home (https://www.renewableuk.com/page/UKWEDExplained), average residents per household 2.3 (https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/ populationestimates/bulletins/populationandhousehold estimatesfortheunitedkingdom/2011-03-21)

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875381/Energy_Trends_March_2020.pdf

[3] https://www.carbonbrief.org/analysis-uks-co2-emissions-have-fallen-29-per-cent-over-the-past-decade

## GENERATION AND EMISSION REDUCTIONS, IMPACT PORTFOLIO



# 2019 WHAT'S BEEN ACHIEVED...

## WIND FARM SALE – IMPACT

The sale of two wind farms enabled us to release a dividend payment of 40p per share in 2019 and subsequently invest in new wind, hydro and geothermal projects. As expected, it has also led to a temporary decrease in the total amount of renewable electricity generated in 2019 and therefore operating profits for the year.


INTERIM DIVIDEND

40p

PER SHARE

£12.3 MILLION

OF INVESTMENT COMMITTED TO

WIND, HYDRO & UK'S FIRST GEOTHERMAL GENERATION[5]

WITH THE POTENTIAL TO GENERATE

ENOUGH ELECTRICITY FOR ALMOST 11,000 HOMES[6]

[4] See note 21 on page 88 for more detail

[5] Includes £11million released for reinvestment and SCRIP dividend reinvested

[6] Calculated using the most recent statistics from the Department of Business, Energy and Industrial Strategy (BEIS) showing that annual UK average domestic household consumption is 3,781kWh, www.renewableuk.com/page/UKWEDExplained. Also see footnote 1. Population of Worcester 103,769. For full explanation of electricity production figures used for impact calculations see page 24

## FINANCIAL IMPACT

**PROFIT** (AFTER TAX AND MINORITY INTERESTS)
£17.6 MILLION[7]
(£2.8M IN 2018)

**OPERATING PROFIT**
£4 MILLION
(£5.37M IN 2018)

**TURNOVER**
£13.8 MILLION

**NET ASSETS**
£47M
UP 23% FROM 2018

**RECOMMENDED**
7p
2019 FINAL DIVIDEND

**TRADED SHARE PRICE**
+44%
(2018/2019)

## ENVIRONMENTAL IMPACT

166,734MWh OF RENEWABLE ELECTRICITY GENERATION
ENOUGH TO POWER ALL THE HOMES IN WORCESTER[6]

75,030 $tCO_2e$
EMISSION REDUCTIONS[8]

SAVED 146 MILLION LITRES OF FRESH WATER[9]

NEW WIND, HYDRO & GEOTHERMAL INVESTMENTS COULD POWER
11,000 UK HOMES[6]

[7] Includes £15.4m gain on sale of two wind farms

[8] Calculated using most recent data on the carbon intensity of the UK electricity grid multiplied by our own electricity generation. www.renewableuk.com/page/UKWEDExplainded

[9] We could not find a nationally recognised means of calculating the water savings generated by generating using wind and solar. The power sector consumes over 40% of Europe's water, mainly for cooling purposes. We have identified that nuclear consumes approximately 2.7m3/MWh, gas plants 0.7m3/MWh and coal plants 1.9m3/MWh (https://windeurope.org/fileadmin/files/library/publications/reports/

## SOCIAL IMPACT CUMULATIVE TO DATE

COMMUNITY BENEFIT PROGRAMME

31 GRANTS

TOTALLING £93,000

23

COMMUNITY SPACES MORE COMFORTABLE AND BETTER UTILISED

REDUCING EMISSIONS BY

60 TONNES

$CO_2e$ PER YEAR

700

COMMUNITY ENERGY GROUP MEMBERS

ABLE TO TAKE OWNERSHIP OF LOCAL PROJECTS



PERFORMANCE PER AVERAGE SHAREHOLDING (4,161 SHARES)

14 TONNES

$CO_2e$ EMISSION REDUCTIONS

8

HOMES EQUIVALENT OF ELECTRICITY GENERATED

INTERIM DIVIDEND

£1,664

APRIL 2019

£291

FINAL DIVIDEND

PAID JULY 2019

Saving_water_with_wind_energy.pdf ). We've performed some crude, but we intend conservative analysis, using the UKs 2018 generation mix (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/789765/ET_March_2019.pdf ), to derive a conservative average water consumption per MWh figure.

We believe that the factor of 0.898m3/MWh is conservative as it attributes no water consumption to other thermal sources such as oil and bioenergy, or hydro. We have then multiplied Thrive's generation by this factor, assuming that if our renewable projects had not generated this electricity, the UK grid mix would have, arriving at 76,741m3

# 2019 AWARDS & MEMBERSHIPS

Winner British Renewable Energy Awards 2019

SHORTLISTED FOR

**BUSINESSGREEN LEADERS AWARDS**

**SOUTH WEST BUSINESS AWARDS**

AND

**COMMUNITY ENERGY ENGLAND AWARDS**

# OUR PROJECTS

**INVERBROOM**
Mezzanine loan investment
Project size: 2MW hydro

**BEOCHLICH**
Project size: 1.0MW two hydro-electric turbines

**BROTHERTON**
Mezzanine loan investment
Project size: 4.6MW two-turbine wind farm

**DUNFERMLINE**
Project size: 1.5MW one-turbine wind farm

**GEVENS**
Mezzanine loan investment
Project size: 6.9MW three-turbine wind farm

**CHAPELTON**
Project size: 2.7MW wind farm

**HAVERIGG II**
Project size: 2.4MW four-turbine wind farm

**SIGURD**
Project size: 1.3MW one-turbine wind farm

**AUCHTYGILLS & CLAYFORDS**
Thrive Renewables (Buchan) Limited
Project size: 800kW each, two-turbine wind farm

**BROCKHOLES**
Project size: 2.4MW wind farm

**DRUMDUFF**
Joint Venture – operational
Project size: 6MW three-turbine wind farm

**CATON MOOR**
Project size: 16MW eight-turbine wind farm

**MEAN MOOR**
Project size: 6.9MW wind farm

**KEY**

**NEW PROJECTS - UNDER CONSTRUCTION**

**COMMUNITY FUNDING BRIDGE - OPERATIONAL**

**FORMER INVESTMENTS**

KEY

NEW PROJECTS - UNDER CONSTRUCTION

COMMUNITY FUNDING BRIDGE - OPERATIONAL

FORMER INVESTMENTS

**WERN DDU**
Project size: 9.2MW
four-turbine wind farm

**SEVERN (AVONMOUTH)**
Project size: 8.2MW
four-turbine wind farm

**UNITED DOWNS (JV)**
Project size: 3.15MW
geothermal

**BOARDINGHOUSE**
Project size: 10.25MW
five-turbine wind farm

**MARCH**
Project size: 1.5MW
one-turbine wind farm

**FENPOWER (RANSONMOOR)**
Project size: 10.1MW,
five-turbine wind farm

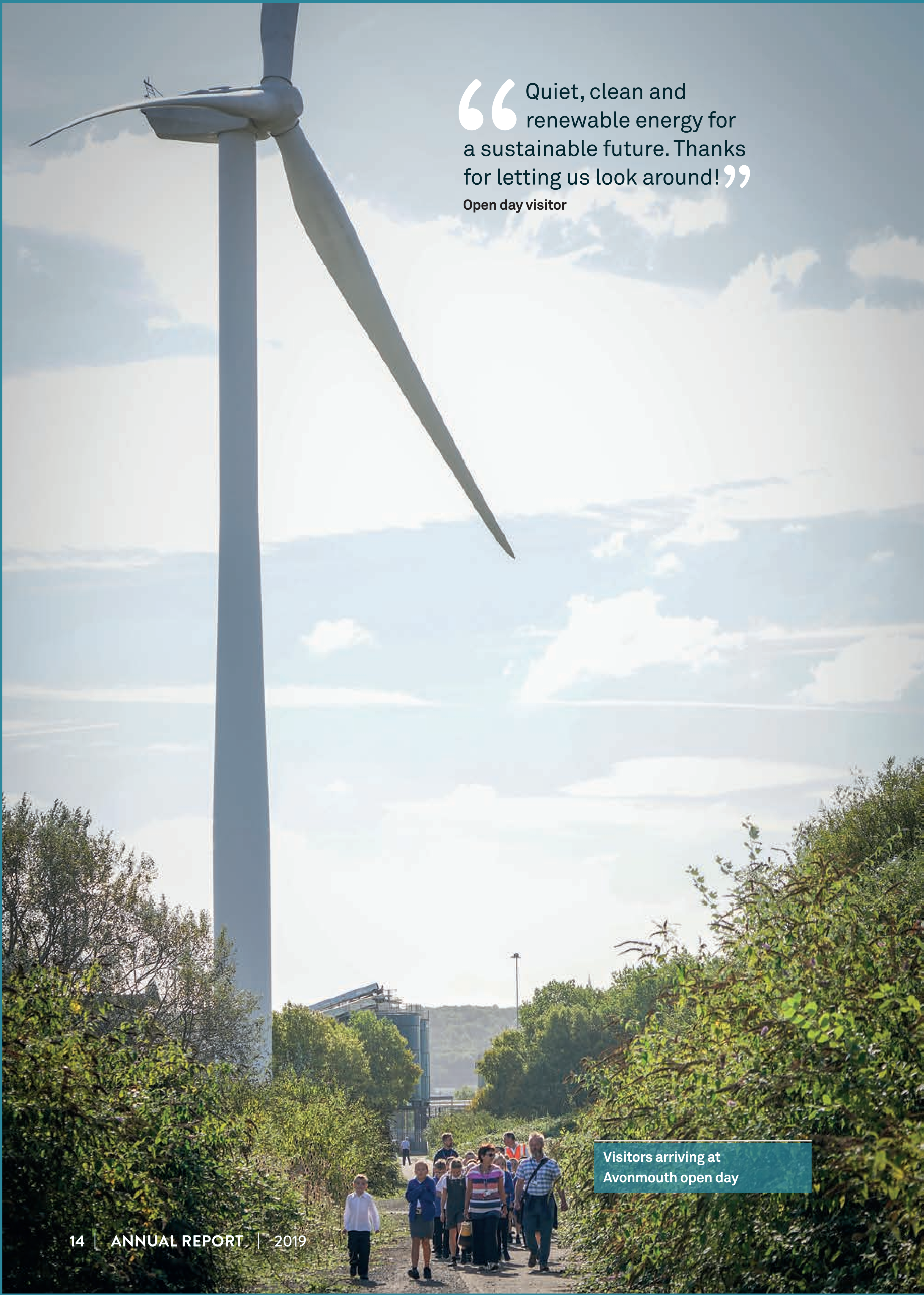
**NESS POINT**
Project size: 2.75MW
one-turbine wind farm

**KESSINGLAND**
Project size: 4.1MW
two-turbine wind farm

**EYE**
Project size: 5MW
two-turbine wind farm

**SHERIFFHALES**
Project size:
3.174MWp[10] solar farm

[10] Mega Watt peak (MWp) is a solar power measure in photo-voltaic (PV) industry to describe a unit's nominal power



> Quiet, clean and renewable energy for a sustainable future. Thanks for letting us look around!

**Open day visitor**

Visitors arriving at Avonmouth open day

# STRATEGIC REPORT



## VISION AND MISSION

We believe in a clean, smart energy system that is powered by the investment of many. Our mission is to power the transition to a sustainable energy future by helping people meaningfully connect with clean energy projects.

## OUR VALUES

### SUSTAINABLE AT HEART

The principles of sustainability have guided us for over two decades, from the projects we invest in to how we run our business. To generate clean energy that can meet the needs of today's world and future generations, we only ever invest in sustainable projects, in a sustainable way.

### REWARDING CONNECTION

We make decisions based on the interests of our investors. That means we invest in real projects, that are supported by real people, and that create real rewards – financial, environmental, and social. We always communicate these impacts clearly and transparently.

### MOVEMENT FOR CHANGE

We play an active and committed role in the clean energy movement: a growing community of people and businesses who are committed to making change happen. We share our knowledge and insight to catalyse change, and we're passionate and excited about what is possible.

## CURRENT FOCUS

1. **Managing the procurement and construction of the three new sites to successful commissioning:**
   a. Construction and commissioning of Inverbroom hydro-electric project
   b. Construction of United Downs geothermal electricity plant
   c. Development of Chapelton wind farm
2. **Making the most of the existing portfolio:**
   a. Generate as much power and impact as possible
   b. Extend the life of the existing assets
   c. Identify opportunities to co-locate additional renewable capacity and battery storage at existing sites (solar alongside wind for example)
3. **Deliver additional opportunities for individuals to invest directly in the transition to a cleaner, smarter energy system for the UK:**
   a. Subsidy free renewable energy projects
   b. Community Energy Funding Bridge
   c. Support net zero ambitions of businesses, local authorities and other organisations

## INVESTMENT AND DIVESTMENT ACTIVITY

### DIVESTMENT FOR GROWTH

The sale of two wind farms in 2019 resulted in a gain of £15.4m and released the projected value of the next 10 years of dividends from these projects. This allowed us to pay a significant (40p per share) dividend to shareholders and retain £11m for future investment. It proves the value that shareholders have created from investing in consented projects and turning them into established operating assets and substantiates the directors' valuation for the company.

### NEW INVESTMENTS

Thrive invests with the aim of building new sustainable energy capacity, contributing to a cleaner and smarter energy system. Currently we invest using three models:

- **Acquisitions**
  Procuring, constructing and operating projects. Thrive receives dividends generated by the project.

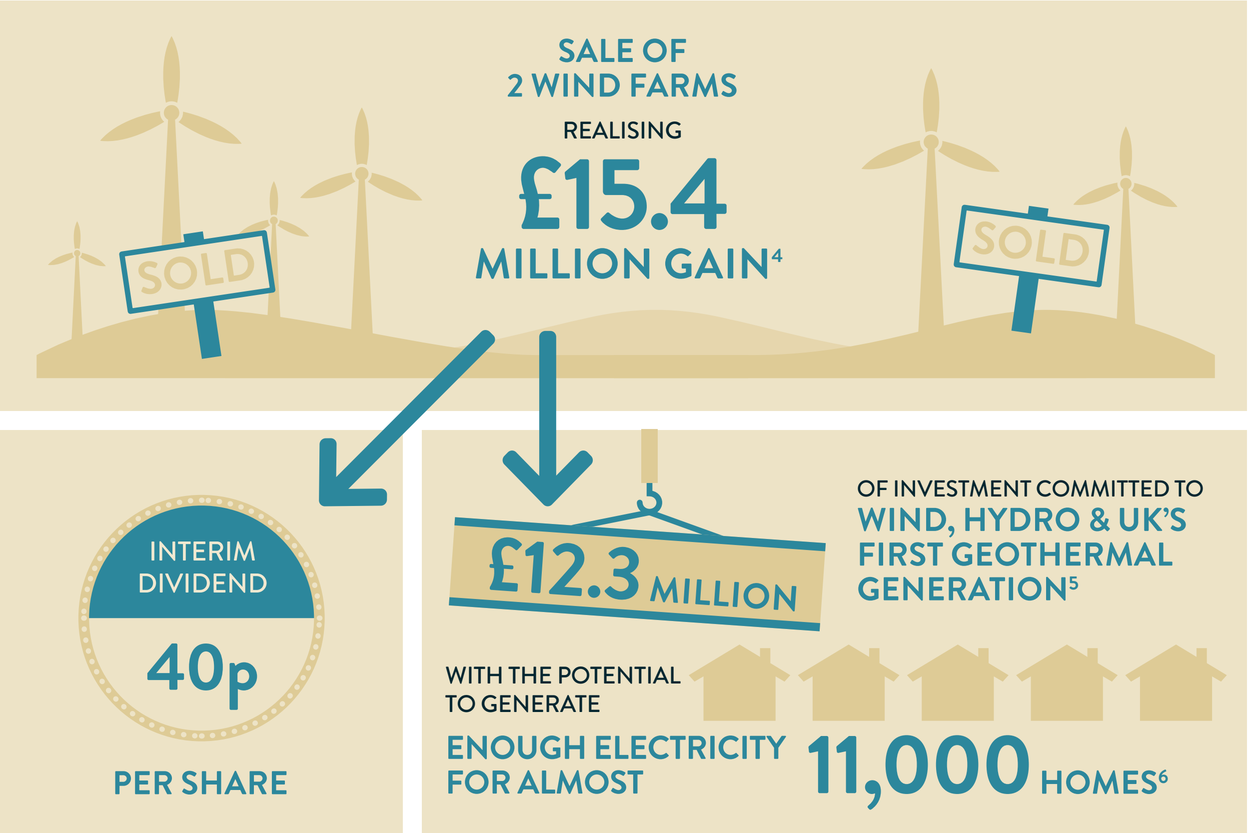
- **Joint ventures**
  Acquiring a shareholding alongside a community, developer or landlord. Thrive receives a share of the dividends generated by the project.

- **Mezzanine debt**
  Providing funding for a defined period, typically to plug a funding gap for a developer, or bridge a funding requirement ahead of a community crowd fund. Thrive receives interest on the funds invested in the project.

Although the total volume of new wind, solar and hydro projects with planning consent across the UK has reduced significantly since 2015, Thrive continues to secure exciting and innovative investments. We have made three new investments in pre-construction renewable electricity generation projects in 2019 and 2020 so far, representing financial commitment of £12.3m. These new projects are expected to generate enough electricity to power almost 11,000 UK homes - more than the annual output of the two wind projects we sold. With emissions reductions of 18,000 $tCO_2e$[6], the impact of shareholders' investments is doubled (as the projects we have sold continue to generate under new ownership). These investments also support innovation in the subsidy free private wire (direct supply) business model and the development of new technology for the UK in the case of the geothermal. Both the hydro and geothermal will deliver much needed baseload power to underpin the increased use of variable sources of solar and wind.

Chapelton wind farm - subsidy free, private wire

In November 2019, Thrive acquired the rights to develop



a 2.7MW wind farm in Girvan, South Ayrshire, Scotland. The site secured planning consent in November 2014 but has not been built due to local grid constraints. Thrive has been working with high energy demand businesses locally to explore direct supply opportunities. This 'private wire' model connects the wind farm to the business' own energy system, then supplies power surplus to their demand via their grid connection. The host businesses are offered competitively priced wind power, and any surplus is exported to the local distribution network. Benefits include support for the local economy and the opportunity to build new renewable generation capacity. Once operational, it is planned that the project will generate enough electricity to power the equivalent of 1,650 UK homes[6].

Inverbroom hydro – plugging funding gaps

A 2MW hydro project is currently being constructed on the Inverbroom Estate, close to Ullapool in the Scottish Highlands. The water is sourced from Loch a'Bhraoin, meaning 'place of showers' in the Gaelic language, which bodes well for the location of a hydro site. The 2MW project is forecast to generate 2,279 UK homes[5] equivalent of electricity and will implement a community benefit scheme. Thrive committed an investment of £3.4m to the project in September 2019 to maintain the construction schedule in advance of bank debt being secured. The bank funding was finalised in January 2020 and Thrive will now maintain an investment of £1.8m in the project. The project owner plans to repay Thrive in the medium term. Inverbroom hydro prequalified for the Feed in Tariff and is anticipated to commence generation early in 2021.

United Downs Geothermal – technology innovation and baseload renewables (electricity and heat)

In February 2020, we invested in United Downs Geothermal Limited, which will be the UK's first geothermal electricity generation plant. The site, close to Redruth, Cornwall, has been developed by Geothermal Engineering Ltd. Two wells have been drilled into the granite bedrock, intersecting the Porthtowan fault at 2.3km and 5.1km below the surface. A 3.15MW power plant will be constructed over the coming 18 months, with generation planned to commence in the second half of 2021. In addition to generating 6,500 UK homes equivalent[6] of electricity, there is scope for the project to deliver 12MW of renewable heat locally. Whilst there are 12,500MW of geothermal electricity generation operating globally, this project is a first in the UK context. The drilling of the deep wells was a material geological and engineering challenge and has been funded by both the EU and Cornwall Council with the involvement of a number of universities to ensure the wider sector benefits from the learning.

Temperatures in excess of 190°C have been measured in the wells. This natural heat source will be transferred from deep below the surface by water, which will be used to heat a binary power plant. Electricity will be generated 24 hours a day, delivering much needed baseload, which has a crucial role in an increasingly renewables-based grid. The potential for delivering renewable heat locally also begins to address the huge challenge of decarbonising the UK's heat requirement.

## PIPELINE

Market conditions are currently challenging with the onshore renewable electricity sector adjusting to a subsidy free environment, and national planning guidance continuing to lag behind the UK's net zero ambitions. Thrive continues to work with commercial and community project developers to identify opportunities to fund the growth of renewable energy in the UK. We are seeking a blend of opportunities in which to invest immediately, and longer-term development investments which will come to fruition over the coming 2-5 years. These include wind and solar private wire projects (supplying power directly to a host) accessing power prices above the wholesale market, and also grid connected projects using the latest technology to maximise energy generation. The entire value chain continues to adjust, further reducing the cost of renewable electricity, with projects on the threshold of viability on a grid connected basis. Proposed changes to national policy allowing onshore renewables to bid in to government clean energy auctions from 2021 create additional routes to market for the power generated.

Whilst Thrive's operational portfolio continues to benefit from the financial support for which it has qualified, innovation is required at all stages of project development, design and operations to demonstrate viable business models as we transition towards an energy system powered by renewables, with a balanced relationship between energy demand and supply.

## EXISTING INVESTMENTS

### Repayment of mezzanine loans at Brotherton and Gevens wind farms

Two mezzanine debt facilities have been repaid since the beginning of 2019: Brotherton, in June 2019, and Gevens in February 2020. These two wind farms were developed by Renewable Energy Ventures Ltd. Thrive provided £1.6m to Brotherton (4.6MW, built in 2017) and £2.7m to Gevens, (6.9MW, built in 2016). Renewable Energy Ventures Ltd has now sold both projects and, as part of the sale, the Thrive funds were fully repaid. The new owner intends to continue to operate the projects for their operational life of 20-25 years. Thrive, via its investment and input, has contributed to the successful construction and operation of the two wind farms. Now the funds have been repaid, we aim to redeploy this money into more new projects, growing the overall positive impact of the capital our shareholders and bondholders have invested.

### Haverigg II wind farm – extension of life

Haverigg II is Thrive's oldest site, and indeed one of the oldest wind farms in the UK; it celebrated its 21st anniversary in 2019. The site, located on an ex-military airfield on the Cumbrian coast, continues to generate effectively. Having successfully agreed an extension to the land lease with the host farm, Thrive has been consulting the community and Local Authority to request an extension to planning consent to allow the continued operation of the existing turbines beyond November 2022. One of the turbines at Haverigg II was owned by Baywind Energy Co-operative. This agreement expired in October 2018 and the co-operative has decided to sell the turbine back to Thrive. Transfer of ownership took place in January 2020, for a consideration of £80,000. We are keen to explore further community ownership in the future.

### Rendesco Limited – ground source heat pump developments

In July 2018, Thrive invested £350,000 into Rendesco via a bond. Rendesco specialises in the development, design and installation of ground source heat pumps in retirement villages, supplying hot water and heating. Since October 2018, Rendesco has completed 14 sites and has a further 17 in development. They are targeting 90 installations, of which they have now installed 53. Once the 90 sites are operational, Rendesco estimates that 76,900 $tCO_2e$ will be saved over 20 years compared to using natural gas fired boilers.

> “Decarbonising heat remains a huge challenge. Heating and hot water accounts for 79% of total final energy use for EU households, with 84% of energy for heating and cooling coming from fossil fuels[11].”

We are therefore pleased to have invested in Rendesco which has a proven track record in delivering commercial scale renewable heat projects. In 2019, as a result of the combined impact of the reduction in the use of fossil fuels and increase in renewable sources of electricity, it is now less

[11] https://climateoutreach.org/resources/mainstreaming-low-carbon-lifestyles/

carbon intensive to generate heat using heat pumps than to use natural gas. The continued progress with cleaning up the UK's sources of electricity generation provides an opportunity to accelerate the decarbonisation of heat.

**Aura Power Energy Solutions Limited (APES) – battery storage developments**

APES was established as a joint venture between Aura Power Limited and Thrive in May 2018. Thrive has invested £154,000 into the joint venture. APES has developed a good pipeline of behind-the-meter battery storage projects, with the intention of sharing the financial and environmental benefits electricity storage can bring by avoiding peak demand periods and delivering flexibility to the grid. Following successful tender processes, the three lead multi-site opportunities have now been put on hold, as the host businesses are waiting for greater certainty in relation to energy regulations and the value of flexibility to them before finally committing. APES will continue to seek opportunities to work with large consumers of electricity, widening the offering to renewable electricity generation in addition to storage. As the electricity system continues to increase its use of renewable energy, the role for flexibility will continue to grow. Batteries presently represent the least-cost solution and will be a part of the smarter system which is required to use renewable energy sources.


Battery installation

> "The magnitude of the challenge before us can be overwhelming but Thrive firmly believes that we all have a role to play. Not only in the way we live our lives and hold our leaders to account, but also how we come together to accelerate and amplify our contribution to the crucial transition."

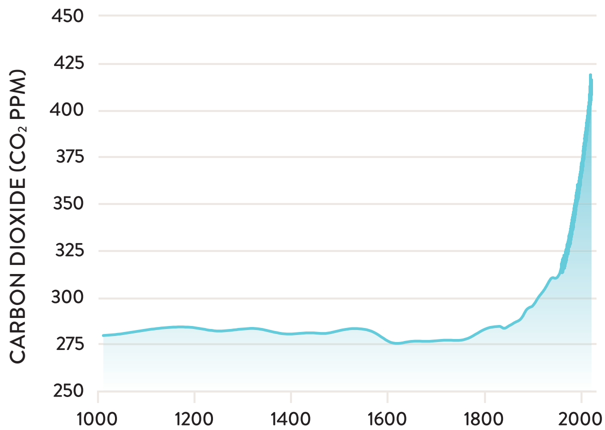
## EVOLVING MARKET CONTEXT

**Net zero ambition**

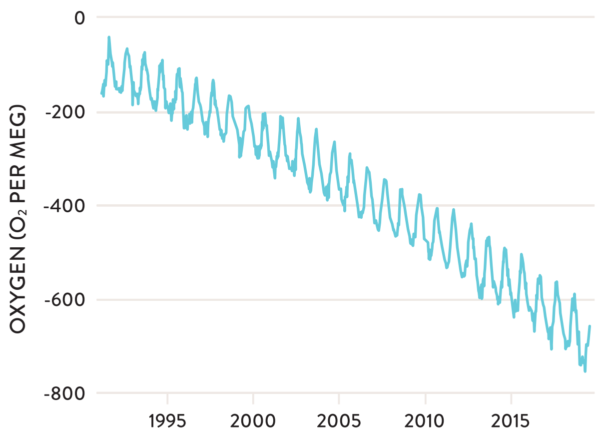
In June 2019, the UK became the first major economy to pass a net zero emissions law. Whilst the ultimate ambition should be zero emissions, rather than net zero, this new law is both ambitious and essential to curb climate change. The UK's $CO_2$ emissions have fallen 29% over the past decade[12], partly driven by renewables, which now supply a record breaking 36.9% of the UK's electricity[2]. This demonstrates that renewables deployed and energy efficiency measures at scale can and do make a significant difference to the country's emissions.

When we reflect on the global atmospheric concentrations of carbon dioxide and oxygen, with $CO_2$ in steep climb and $O_2$ concentrations falling, it becomes apparent immediate action is required at all levels from government to individual and sets the scene for what needs to be achieved over the next decade.

### GLOBAL $CO_2$ LEVELS[13]




### GLOBAL $O_2$ LEVELS[13]




[12] https://www.carbonbrief.org/analysis-uks-co2-emissions-have-fallen-29-per-cent-over-the-past-decade

[13] https://www.climatelevels.org/?pid=2degreesinstitute&theme=grid-light

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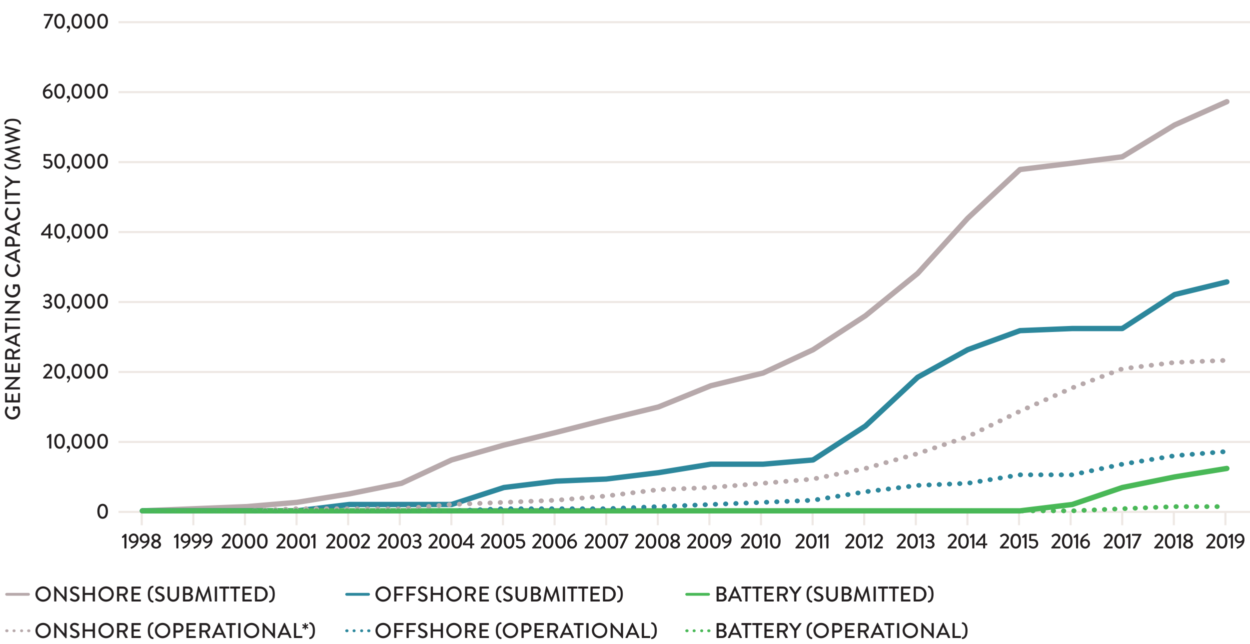
In March 2019, 80% of the public said that they are either fairly or very concerned about climate change, the highest level since the BEIS public attitude tracker started in 2012. Similarly, public support for renewable generation is at record levels with 89% support for solar, 83% for offshore wind, 82% for wave and tidal and 79% for onshore wind[14]. The combination of world events, climate emergency declarations, net zero targets, the December General Election, Greta Thunberg and Extinction Rebellion seems to have put climate change, and most importantly awareness that we all have to take responsibility for addressing it, further up both government and people's agendas. As a company that exists to unite individuals to take direct action and deliver real impact, we are excited by this new wave of consciousness.

Uncertainties faced in developing, building and operating new renewable electricity capacity under the current regulatory and commercial environment is reflected in a plateauing of new planning submissions and new projects becoming operational since 2018. This made 2019 a challenging year for making investments in renewable energy. But despite this, we succeeded in making three innovative investments which will lead to 7.85MW of new renewable capacity for the UK. The longer-term picture looks significantly more promising.

For project developers, the development process can be a lengthy, expensive and risky journey, which is less appealing when there is little clarity on the eventual rewards of successfully building a new asset. As we experienced 25 years ago, now once again, innovation and motivation beyond a 'quick buck' are required in the sector to ensure that progress with the transition to a cleaner, smarter energy system continues. We have demonstrated with our new investments that Thrive remains committed to building new capacity, creating business models which deliver environmentally and commercially in the evolving market context.

The chart below illustrates the cumulative non thermal[15] renewable electricity generation capacity which has been submitted for planning (solid lines) and the subsequent capacity which has become operational (dotted lines). The chart illustrates onshore renewables (wind, solar and hydro), offshore renewables (offshore wind, wave and tidal) and battery projects.

## CUMULATIVE UK RENEWABLE ELECTRICITY GENERATING CAPACITY PLANNING SUBMISSIONS AND OPERATIONAL CAPACITY




* Included repowered capacity. Source: https://www.gov.uk/government/publications/renewable-energy-planning-database-monthly-extract

[14] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800429/BEIS_Public_Attitudes_Tracker_-_Wave_29_-_key_findings.pdf

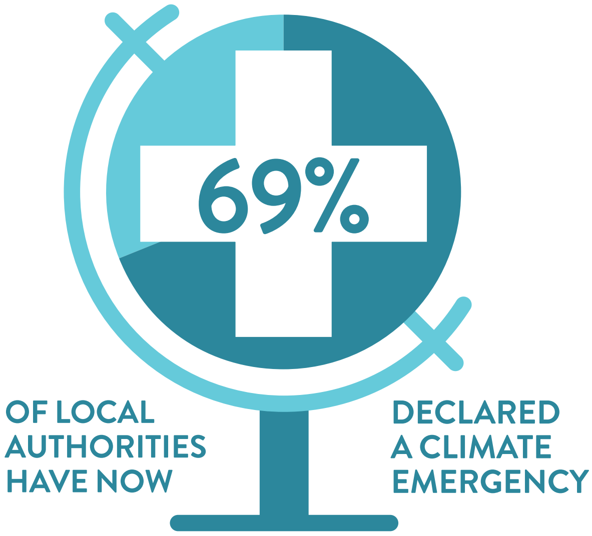
[15] Including renewable energy wind, hydro, solar, tidal, wave and batteries, excluding thermal renewables such as land fill gas, anaerobic digestion, biomass, biogas etc...

The greatest number of both planning submissions and projects being commissioned occurred between 2010 and 2017. Since 2015, when the removal of subsidies was announced and less favourable national planning guidance introduced, the rate of development (reflected in submissions) and growth in capacity (operational) has slowed. Year on year growth in renewables capacity nationally was 6.9% in 2019, the smallest increase since 2010[16].

The long term picture looks promising with 4,108MW onshore renewables (wind, solar and hydro) and 2,315MW offshore projects entering the planning system in 2019, representing 18% and 1% fewer than the 5 year average, but still material levels of growth in capacity if it can secure consent and be built.

> “This level of ambition amongst the renewable development sector, combined with the projected between 30% and 72% growth in electricity demand by 2050[17] and the ever increasing necessity to address climate change, provides Thrive with confidence in future opportunities to plug funding gaps and build more renewable electricity and heat generation capacity in the coming years.”

English national planning guidance requires wind farms to be developed at locations designated as suitable in local and neighbourhood plans. But there are currently few of these plans which contemplate wind development. As we move forwards with growing climate consciousness, it is clear that community engagement and community benefits must be integral to the development and operations of renewable energy projects to improve the prospects for accelerated growth. 69% of local authorities have now declared a climate emergency and we would hope to see local and neighbourhood plans in England start to incorporate planned renewables development to help them achieve their net zero ambitions. The Welsh and Scottish authorities already provide more favourable conditions for securing planning consent. As we move into 2020, we are encouraged to see that the government is acknowledging the potential that onshore wind, solar and hydro have to deliver low cost, clean electricity. A consultation is




currently taking place on the re-inclusion of these technologies in the Contract for Difference scheme (CfD). Under the CfD scheme, renewable projects bid in auctions, held every 2 years, for a 15-year strike price. Successful bidders export power on a commercial power sale agreement; when market prices are more than the strike price agreed, the projects pay the government, and when market prices are below the strike price, the government tops up the power price to the strike price agreed. This materially lowers the risk for developers and the competitive auction ensures best value for consumers. The consultation closes in May, and we will see the outcome later in 2020, with the first auction under the revised scheme in 2021.

> “We are very encouraged to see government recognising the role onshore renewables will play in the four-fold growth[18] of renewable electricity generation required to achieve their net zero targets.”

[16] https://www.gov.uk/government/statistics/digest-of-uk-energy-statistics-dukes-2019

[17] http://fes.nationalgrid.com/fes-document/

[18] https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/

### Wholesale electricity prices

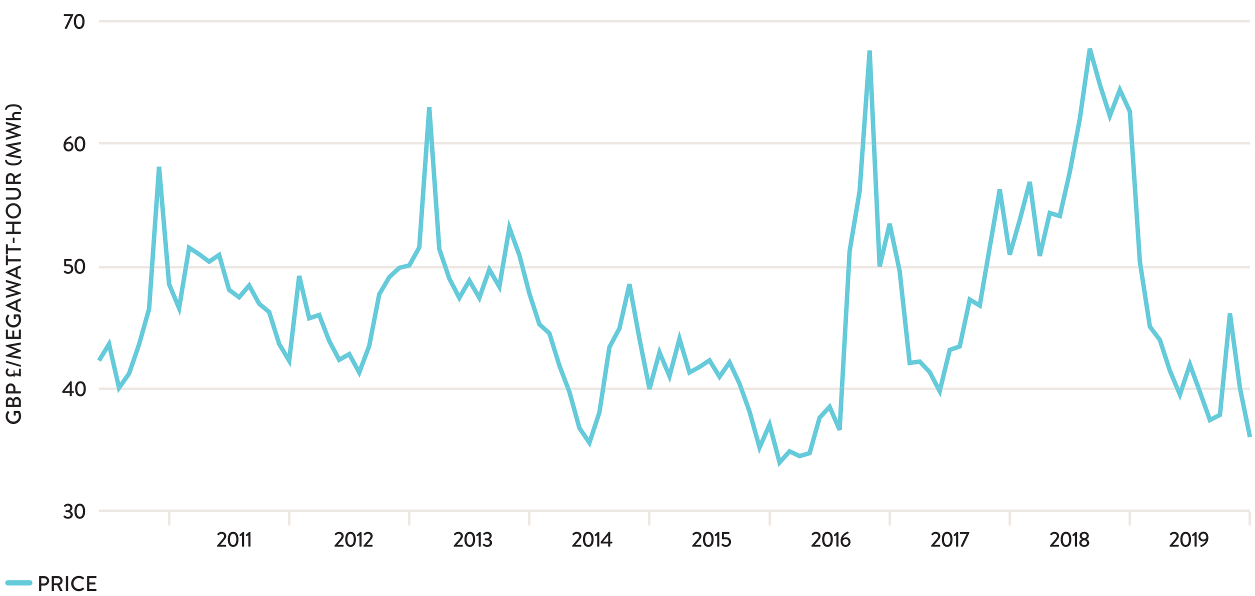
The majority of the revenues generated by the sale of the electricity generated by Thrive's renewable projects comes from two sources, the electricity itself and government support in the form of Renewable Obligation Certificates and Feed In Tariffs. The electricity sold represented 55% of revenues in 2019, and government support 42%, with 3% coming from various grid, distribution and balancing incentives. Whilst our four private wire projects also sell power to their business hosts, all sell to the wholesale market. Thrive has a mix of power sales structures in place over different time horizons and indexed to the wholesale electricity market in different ways. The purpose of this blend of sales arrangements is to reduce the group's exposure to the volatility of wholesale electricity markets. The chart below illustrates the last 9 years of price movements in the UK wholesale electricity market.

In 2018, we fixed the majority of power prices for 2019, allowing us to continue to benefit from the price rally seen in 2018. As we move into 2020, we continue to benefit from these fixed prices for part of the year but will have exposure to the lower prices currently being traded and projected. In 2019, the portfolio secured a volume weighted price of £114/MWh, we anticipate that average prices achieved over the course of 2020 will be between 8% and 10% lower. The year on year decrease in power prices shown in the chart below has principally been driven by falling global oil prices combined with an abundance of supply of gas in the UK and a relatively mild winter.

"Thrive has a mix of power sales structures in place over different time horizons and indexed to the wholesale electricity market in different ways. The purpose of this blend of sales arrangements is to reduce the group's exposure to the volatility of wholesale electricity markets."

The UK's electricity price continues to be very much linked to natural gas prices, as gas fuelled generators currently deliver the 'shape' to meet electricity demand profile. In addition, since March, the impact of uncertainty created by the Covid-19 pandemic and 'lock down' measures have reduced demand for power. In the UK, electricity demand has dropped by between 10% and 20% as industrial and commercial demand has reduced, making every day's demand profile closer to a typical weekend. Thrive's power sales structures and an exceptionally windy first quarter have provided healthy revenues for early 2020. We have now fixed the majority of power prices for this summer. The timing of the end of the lock down, both in the UK and globally, will have a material impact on electricity prices in the fourth quarter of the year, and the overall revenues for 2020. We continue to monitor this carefully to mitigate the impact.

## ELECTRICITY PRICES: DAY-AHEAD BASELOAD CONTRACTS




Source: https://www.ofgem.gov.uk/data-portal/all-charts/policy-area/electricity-wholesale-markets

## ENVIRONMENTAL IMPACT

166,734MWh
OF RENEWABLE ELECTRICITY GENERATION

ENOUGH TO POWER ALL THE HOMES IN
WORCESTER[6]

75,030 $tCO_2e$
EMISSION REDUCTIONS[8]

SAVED 146 MILLION LITRES
OF FRESH WATER[9]

NEW WIND, HYDRO & GEOTHERMAL INVESTMENTS COULD POWER
11,000
UK HOMES[6]

## SOCIAL IMPACT
CUMULATIVE TO DATE

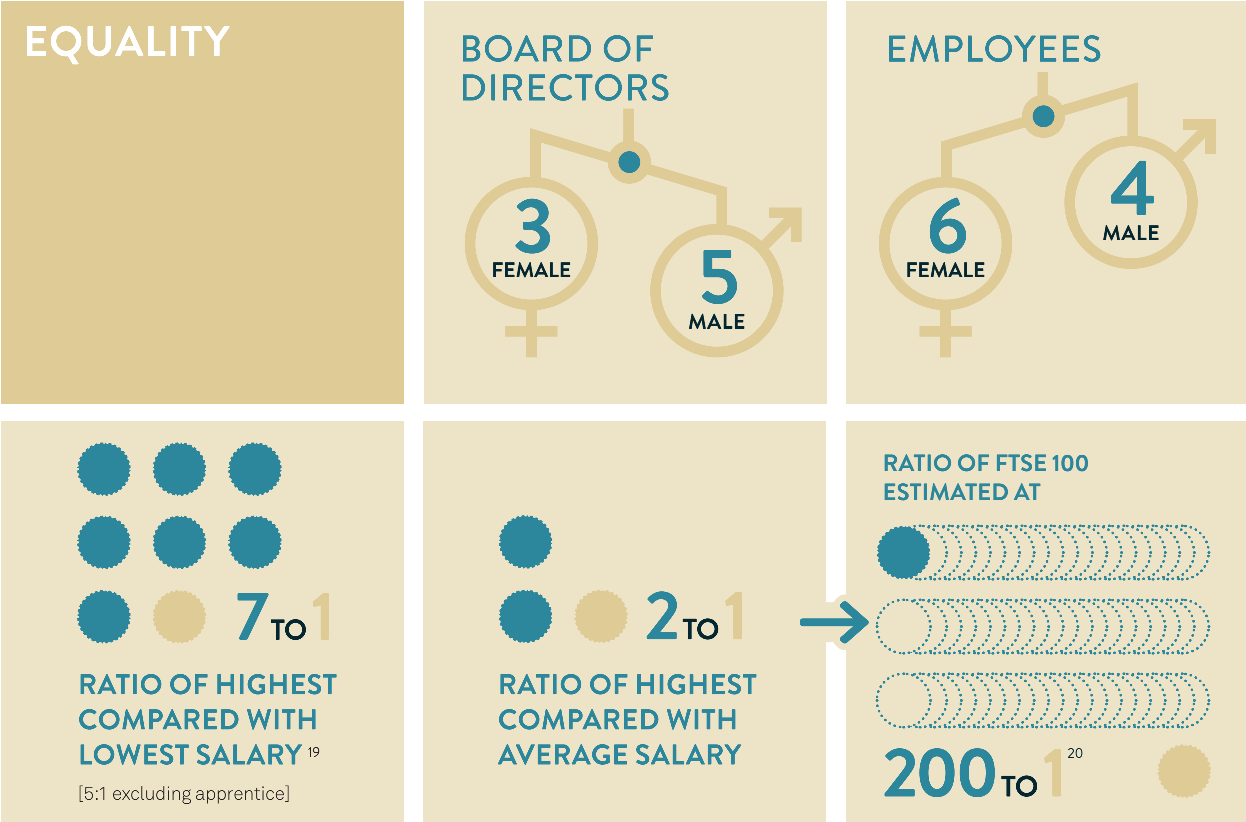

COMMUNITY BENEFIT PROGRAMME
31 GRANTS
TOTALLING
£93,000

23
COMMUNITY SPACES MORE COMFORTABLE AND BETTER UTILISED

REDUCING EMISSIONS BY
60 TONNES $CO_2e$ PER YEAR

700
COMMUNITY ENERGY GROUP MEMBERS
ABLE TO TAKE OWNERSHIP OF LOCAL PROJECTS


STRATEGIC REPORT
DIRECTORS' REPORT
FINANCIAL STATEMENTS




## IMPACT REPORTING

For the purpose of impact reporting throughout this report, we are describing our 'Impact Portfolio' which includes Thrive's proportion of project ownership, plus the renewable projects in which Thrive has provided the majority of the equity required to build or acquire the project by way of funding bridge and/or mezzanine debt. We consider this appropriate, as in addition to acquiring, building and operating renewable projects, we are plugging funding gaps for landlords, communities and developers with a view to adding capacity and widening the ownership of renewable energy.

## GOVERNANCE

Thrive Renewables is in the process of applying for B-Corp certification. Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. Thrive is a values-led organisation, and our ethos has always been embedded in our governance and approach. We are taking this opportunity to further document our ethos and formalise elements of measurement and performance. Part of the process is to change the company's Articles of Association to reflect its responsibilities to wider society as well as shareholders. These amendments will be put to shareholders at the 2020 Annual General Meeting.

## INVESTOR SURVEY

Thrive undertook an investor survey with both bondholders and shareholders in March 2019. Over 1,000 investors responded, sharing their views on the performance of the company, motivations for investing in Thrive and views on the appropriate balance of positive impact, risk and returns.

## 1,000 RESPONDENTS


**HIGH SATISFACTION**

The board were pleased to see 87% of respondents sharing high levels of satisfaction, along with good alignment on the direction of the company. 84% of respondents agreed that Thrive makes a genuine difference to the environment. The views reflected in the survey will continue to inform our strategy. Thank you to all shareholders and bondholders who participated.

[19] Includes apprenticeship scheme

[20] http://equitytrust.org.uk

### THRIVING COMMUNITY SPIRIT

The fourth round of our Community Benefit Programme has once again seen measurable improvements in warmth, comfort and light in shared buildings close to our projects across the country. It is noticeable this year how many groups are reporting additional unexpected benefits such as improved morale amongst volunteers and the potential to make community buildings accessible to a wider range of people. This is in addition to decreased running costs via savings on energy bills.

In this round £31,128 has been used to improve nine community buildings, saving an estimated 23 tonnes of $CO_2$ from being released into the atmosphere per year. To date, including all four rounds of the programme £93,386 has been awarded via 31 grants in total to improve 23 different community buildings. In total an estimated 60 tonnes of $CO_2$ has been saved per annum, in addition to numerous other benefits reported by building users, such as improved comfort and ability to use the facilities more frequently as a result of the upgrades.

> "An unexpected benefit of the window replacement has been the additional light which has come into the office as a result of the window replacement which has meant that we are using the electric light less."

**Avonmouth Community Centre Manager**

> "The alterations at St John's Church Hall, (funded via the £4,000 grant received) are almost complete and are already making a huge difference to the life of the Hall!"

**March Churches Team Ministry**

The receipt of the grant funds from this Thrive Renewables scheme has done much more than just enable the hall windows to be replaced. It has raised both morale and motivation within our team of volunteers, which in turn has encouraged a revival in the work being undertaken to improve the appearance of this vital community amenity.

> "The local community are delighted with the results of the project which has demonstrated that we can improve the energy efficiency and comfort levels in a church building in an appropriate and sympathetic way. We are hoping this coming year to be able to open up the church more as a community space for community meetings, suppers, film nights and other social occasions."

**St Peter's Church, Quernmore**

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We are now measuring our impact against the United Nations Sustainable Development Goals, of which at least eight are relevant to our business activity. We have picked out some examples of how our business impacts positively in relation to the goals and specific targets.

SUSTAINABLE DEVELOPMENT GOALS

### GOAL: 7

**AFFORDABLE AND CLEAN ENERGY**

ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY

7 AFFORDABLE AND CLEAN ENERGY

**Related target:** By 2030, increase substantially the share of renewable energy in the global energy mix.

**Thrive business activity:** Since our inception 25 years ago, Thrive Renewables has built or funded the construction of 22 renewable energy projects, with an additional three currently being developed. In addition to wind and hydro, we have invested in solar photovoltaics, ground source heat, early commercial scale tidal generation capacity and the development of energy storage assets.

### GOAL: 11

**SUSTAINABLE CITIES AND COMMUNITIES**

MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE

11 SUSTAINABLE CITIES AND COMMUNITIES

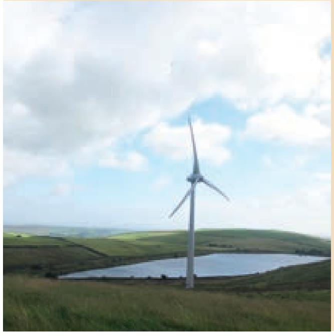
**Related target:** 11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change.

**Thrive business activity:** Community Energy Funding Bridge. We provide funding to enable community energy groups to take ownership of local clean energy projects. In 2018 we successfully supported 3 community groups to take ownership of Mean Moor wind farm in Cumbria through our Community Energy Funding Bridge.

## GOAL: 12

**RESPONSIBLE CONSUMPTION AND PRODUCTION**

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS



**Related target: 12.2** By 2030, achieve the sustainable management and efficient use of natural resources.

**Thrive business activity:** Drumduff wind farm in Scotland is built on an old open cast coalmine, symbolising the transformation to a cleaner, greener energy system in the UK. It has the capacity to generate enough renewable electricity to meet the annual demand of almost 5,500 UK homes.

## GOAL: 13

**CLIMATE ACTION**

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

**Related target: 13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

**Thrive business activity:** Our mission is to power the transition to a sustainable energy future by offering accessible options for individuals and businesses to invest directly in renewable energy projects. We have over 6,000 investors with investments ranging from £5 to several million. The environmental impact per Thrive average shareholding is a saving of 13.9tCO2e.

## GOAL: 15

**LIFE ON LAND**

PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS


**Related target: 15A** Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

**Thrive business activity:** We work to improve biodiversity at all our wind farm sites. We are currently encouraging rewilding at Drumduff wind farm near Edinburgh. Oyster Catchers are nesting on crane pads at Caton Moor and we have bat and bird nesting boxes at many of our sites.

# EDUCATIONAL IMPACT

We continued our mission to meaningfully connect people with renewable energy projects in 2019. Our 25th birthday has been the focus, celebrating the huge strides that the sector as a whole has taken during that time from a 'niche' technology to supplying over one third of the UK's electricity needs.

## 'I WISH I COULD COME HERE EVERY DAY' THRIVE'S BIGGEST OPEN DAY YET

We kicked off our 25th anniversary celebrations in style in September with two family open days at Avonmouth wind farm near our home city of Bristol.

Celebrations began with the local primary school visiting the site and taking part in an arts workshop. The children learned about wind turbines then got the chance to create some of their own. Art and Energy, an organisation which uses creativity to change the way people view green technology, worked with the children to produce their very own windmills to take away, as well as two pieces of communal art which were displayed at the public open day. The children really enjoyed their day, with comments such as "I wish I could come here every day", "Amazing", "Incredible" and "Best trip!"

In the afternoon, we held a birthday reception with board members and staff past and present, business partners and friends. It was very important to celebrate with people who have been so integral to Thrive's journey over the last 25 years.

On Friday afternoon and all-day Saturday, we opened the site up to the public, welcoming over 500 visitors to the wind farm, our biggest open day yet. Guests had the opportunity to look inside a real wind turbine, ask questions and find out how a wind turbine works. The Centre for Sustainable Energy provided inspiration and advice on home energy efficiency to visitors, Bristol Open Doors led an engineering workshop for children and The Landmark Practice gave an insight into the ecological aspects of developing and running a wind farm. ExplorerDome brought their interactive renewable energy show in a blow-up planetarium which was popular with children and parents alike.

## SUPPORTING THE NEXT GENERATION OF RENEWABLE ENERGY ENGINEERS

In November we were particularly pleased to welcome a group of engineering students from the University of Bristol to Avonmouth, to provide insight into what skills go into developing renewable energy projects and careers options available.

Our Operations Manager, Adrian, talked to the students about each stage of development, from financing the project and gaining planning permission, to construction and operations. Many of the students had not visited a wind farm before and enjoyed learning more about the turbines.

It was really rewarding to be able to open our doors to what could be the next generation of wind farm engineers.

# OPERATIONS

## OPERATIONAL REVIEW

In 2019, the company's operations were focused on three areas – achieving best value from operational assets, managing contracts and suppliers to best effect and extending the planned commercial life of projects.

### OPERATIONAL PROJECTS

Never before has it been so important to achieve greatest value from operational renewable energy projects. The average wind resource across the UK during 2019 was reported by the Department for Business, Energy & Industrial Strategy to be lower than the long-term average[21]. This was despite better than expected wind speeds in the month of March, the early autumn and December. At a technical level, generation was impacted by three main components requiring replacement - a gearbox at Severn and a gearbox and generator at Caton Moor - as well as the reinstatement of one turbine at Fenpower following fire damage during 2018. Commercially, the portfolio benefits from negotiated maintenance contract guarantees and an operational 'all risks' insurance policy intended to compensate the business for physical damage and lost revenue.

### CONTRACTOR MANAGEMENT

Thrive outsources physical operational management, maintenance and servicing arrangements, allowing us to operate a variety of technologies at sites all over the British Isles and be responsive to changing needs. Asset management contracts for the majority of the portfolio were reviewed against market rates and renewed during 2019 with a forward-looking and responsive scope. The unexpected insolvency of Senvion GmbH, a large German wind turbine manufacturer, introduced delays and uncertainty from April until the year end at four projects where they had previously supplied and maintained equipment. In December, a large part of the insolvent business was acquired by a new owner and services continued without interruption on three sites with contractual arrangements under review on the fourth. Monitoring and safety arrangements for the projects were not compromised at any time but lessons have been learned for managing long term service contracts and associated commercial exposures.

### LIFE EXTENSION

For the government to meet its target of net zero carbon by 2050, existing renewable energy generating capacity across the UK must be maintained and grown. In the long term this is likely to include the "repowering" of existing wind farms – i.e. replacing existing turbines with larger and / or more efficient equipment in established and suitable locations. In the short term, however, planning policy (especially in England) does not support this process and introduces disproportionately high risks for owners and developers who would like to follow this course. Instead, Thrive, like many other UK renewable energy owners, is progressing plans for the "life extension" of existing turbines – establishing rights and operating procedures to continue running existing equipment beyond the end of its original planning consent period. Whilst the majority of planning consents are granted in perpetuity, onshore renewable energy assets frequently have time bound consents, so an extension to planning is required to continue operations.

### OPERATIONAL RESULTS

Thrive's total investment portfolio generated 198,339MWh in 2019. The reduction of 18.4% from 2018 (243,018MWh) reflects our exit from two operational projects which continue to generate clean electricity but no longer contribute to our own impact.

The company's owned portfolio generated 128,626MWh during 2019. This was lower than 2018 (160,724MWh) for the same reason. On a like-for-like basis, excluding the two operational projects sold during 2019, the owned portfolio generated 6% less during 2019 than 2018 due to a combination of reduced wind resource and technical issues which are described below.

[21] https://www.gov.uk/government/statistics/energy-trends-section-7-weather

## COMPARISON OF 2019 GENERATION AGAINST 2018

| SITE | GENERATION COMMENCED | GENERATION 2019 MWH | GENERATION 2018 MWH | GENERATION CHANGE % | SITE INFORMATION |
|---|---|---|---|---|---|
| Beochlich | 1998 | 4,012 | 3,872 | 3.6% | The 1MW hydro-electric project on the Beochlich burn, feeding into Loch Awe achieved a year of good reliability and an increase in generation from 2018, despite an exceptionally dry spring. |
| Haverigg II* | 1998 | 5,156 | 4,265 | 20.9% | This four-turbine project is located on the coast in Cumbria on the site of one of the first wind farms in the UK. This year Baywind Energy Cooperative released their 25% stake in the project, selling the turbine they had owned since construction back to Thrive. This increase to full ownership, combined with good reliability accounts for the increase in generation from 2018. |
| Sigurd | 2001 | 4,220 | 3,789 | 11.4% | This single 1.3MW turbine is built on Burgar Hill in Orkney – one of the windiest onshore sites in Europe and an early test centre for wind turbine development. Plans continue to extend operations on this productive site beyond the original anticipated 20-year project life. |
| Caton Moor | 2006 | 34,782 | 39,120 | (11.1%) | Comprised of eight wind turbines, this 16MW project in Lancashire is the largest in Thrive's portfolio. Generation was impacted by the need to replace the gearbox in one turbine and generator in another – work that was completed under the maintenance contract but delayed due to financial difficulties (and subsequent insolvency) of the contractor. At the year end, negotiation of new service arrangements was progressing well. |
| Ness Point | 2005 | 4,417 | 4,641 | (4.8%) | On the sea front in Lowestoft, this single 2.75MW wind turbine was nicknamed "Gulliver" in a local newspaper competition as it was the largest onshore turbine in the UK when it was built in 2005. Generation was impacted in the late autumn when it proved difficult to diagnose and then source parts for a fault which prevented the turbine from running. |

| SITE | GENERATION COMMENCED | GENERATION 2019 MWH | GENERATION 2018 MWH | GENERATION CHANGE % | SITE INFORMATION |
|---|---|---|---|---|---|
| Wern Ddu | 2010 | 2,837 | 20,237 | (86.0%) | This project in North Wales was sold in February 2019. The four-turbine wind farm will continue generating renewable electricity under the new ownership and money from the sale can be used by Thrive to develop additional capacity. |
| Kessingland | 2011 | 1,461 | 10,711 | (86.4%) | This project in Suffolk was sold in February 2019. The two wind turbines will continue generating renewable electricity under the new ownership and money from the sale can be used by Thrive to develop additional capacity. |
| Dunfermline | 2011 | 2,393 | 2,653 | (9.8%) | This 1.5MW turbine is built on the site of an industrial host with high electricity demand. The turbine is able to supply renewable electricity directly via a "private wire" so improving the environmental credentials of their manufacturing business. Generation was lower than in 2018 as the average wind speed was lower and due to a temporary need during the autumn to manage a planning condition more conservatively than usual. |
| Eye | 2013 | 12,527 | 11,508 | 8.9% | This 5MW, two-turbine project is developed on the Eye Airfield Industrial Estate, supplying a growing number of tenants with renewable energy. Good reliability and wind resource combined to achieve an increase in generation from the previous year. |
| Fenpower (Ransonmoor)* | 2013 | 5,189 | 4,994 | 3.9% | The turbine damaged by fire in 2018 was safely reinstated and returned to operation in the late spring of 2019, contributing to a small increase in generation on the previous year from this five-turbine site in Cambridgeshire. Thrive owns a 24.9% share of the Fenpower project. |

| SITE | GENERATION COMMENCED | GENERATION 2019 MWH | GENERATION 2018 MWH | GENERATION CHANGE % | SITE INFORMATION |
|---|---|---|---|---|---|
| Severn | 2013 | 14,547 | 18,072 | (19.5%) | A four-turbine wind farm located in the industrial Avonmouth area near Bristol and on the edge of the Severn estuary. In mid-June a gearbox in one of the turbines failed which meant it could not operate until it was replaced early in 2020, an outage which contributed directly to a reduction in generation from the previous year. |
| March | 2014 | 3,623 | 3,246 | 11.6% | This single 1.5MW wind turbine is built in the grounds of a major UK food supplier and feeds renewable electricity directly into their operations to support their environmental commitments. |
| Auchtygills | 2015 | 1,922 | 2,094 | (8.2%) | The Auchtygills and Clayfords wind turbines are built on two separate parcels of land in Aberdeenshire but just a few miles apart. Each turbine has a capacity of 800kW. |
| Clayfords | 2015 | 1,940 | 2,005 | (9.9)% | (SEE ABOVE) |
| Boarding-house* | 2015 | 20,848 | 20,635 | 1.0% | Thrive own a 75% share in the five-turbine wind farm at Boardinghouse in Cambridgeshire. Generation was marginally up from the previous year due to slightly better overall wind resource alongside comparable technical reliability. |
| Drumduff* | July 2017 | 8,750 | 8,882 | (1.5%) | This three-turbine wind farm in the Scottish central belt is built on the site of a disused open cast coal mine, nicely illustrating the transition from fossil fuels to renewables. It is run as a joint venture with Thrive owning 50% of the project. During 2019, the project was able to secure a small increase in the grid connection allowing additional electricity to be exported to the grid. |
| **Total** | | **128,626** | **160,724** | **(20%)** | |

* generation from the site calculated in proportion to Thrive Renewables' ownership and does not include the mezzanine loan investments.

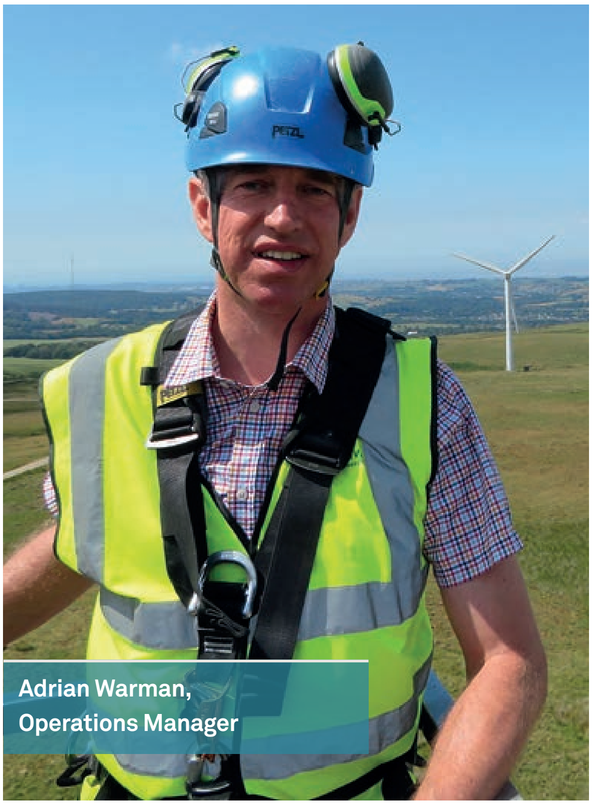
## HEALTH AND SAFETY

There were no incidents reportable to the Health and Safety Executive (HSE) in 2019 from operations or construction across our portfolio of projects.

Effective management of health and safety continues to be a priority throughout our activities. On site, our contractors follow safe systems of work which are appropriately reviewed by our asset managers and we actively encourage technicians to share their safety observations to identify potential enhancements. This year we have joined a new organisation called SafetyOn as a Tier 2 member to share good practice and contribute to continual improvement of health and safety management across the UK onshore wind sector.

## RESOURCING

In 2019 we appointed three new team members, an investment analyst, communications executive, and an apprentice in finance and administration. The new recruits bring varying levels of experience to the team and all are making valuable contributions. We are committed to ongoing professional development and are particularly pleased to be working with the apprenticeship scheme, providing support for part-time education alongside on the job training in the finance team.



Adrian Warman,
Operations Manager

## BENEFITS REVIEW

Thrive revisited the benefits package offered to its employees in 2019. The key objectives of the company's benefits include being a fair and responsible employer, rewarding positive outcomes and promoting collaboration, providing competitive packages whilst reflecting Thrive's mission and values, encouraging development, rewarding loyalty and retention, and offering flexibility.

In addition to making leave allocation more flexible and offering medical insurance, we became a founder member of 'Climate Perks', a sustainable holiday travel incentive developed by environmental charity, Possible. As flying is one of the fastest growing sources of GHG emissions, and the positive impact of avoiding one flight estimated at being between 0.7 and 2.8 $tCO_2e$[22] of an individual's emissions, reducing air travel is one of the easiest ways to reduce our carbon footprints. In many cases travelling by train, coach or boat can take longer than flying, so Thrive now offers extra days leave to those opting for more sustainable travel choices.

[22] https://climateoutreach.org/resources/mainstreaming-low-carbon-lifestyles/

## THRIVE RENEWABLES SHARES

Thrive unites a community of 6,096 impact investors; 5,417 shareholders in addition to bondholders. Amounts invested vary from £5 to several million.

The number of Thrive shares in issue has risen by 2.8% (from 21,913,102 in December 2018 to 22,530,549 in December 2019). This increase has occurred as a result of the net impact of a decrease in shares following the buy-back and resulting cancellation of 92,157 shares, and a growing number of shareholders who have opted for scrip dividends. The impact of the scrip dividend shares was larger than in previous years due to the combination of 40p interim and 7p final dividend being paid in the 2019. £1.62m of additional capital remained in the company and will be used to finance additional growth by investment in new renewable energy projects.

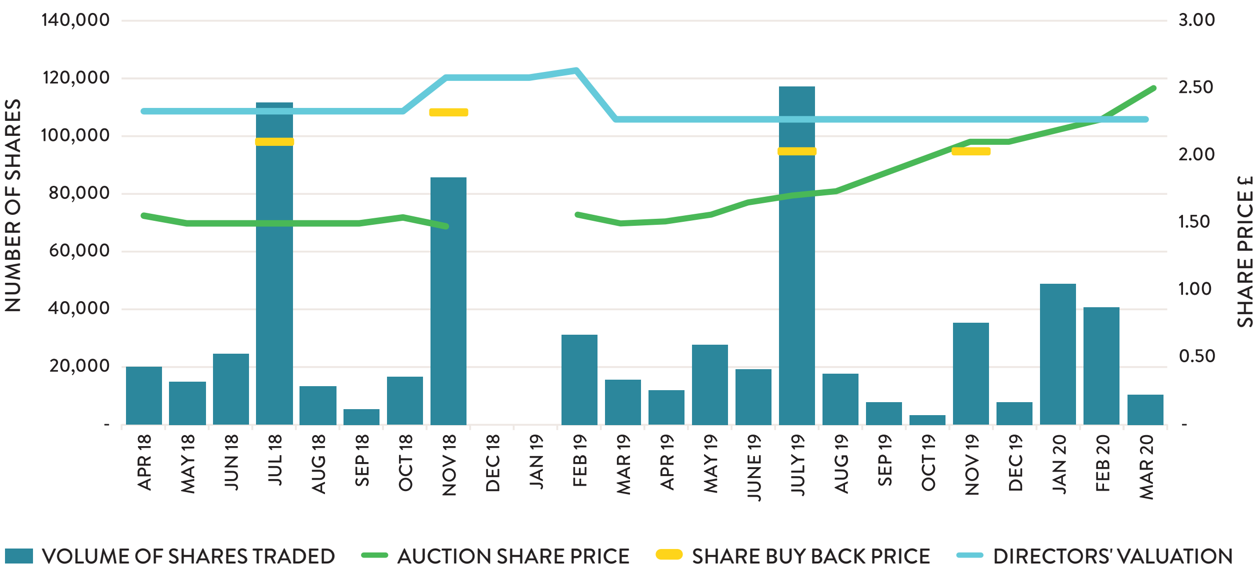
Thrive is not listed on a recognised market such as the London Stock Exchange (LSE), or Alternative Investment Market (AIM). The directors aim to provide share liquidity (the ability for shareholders to sell and buy shares) through two mechanisms, the operation of a monthly share auction and the provision of a share buy-back scheme.

The monthly share auction and buy-back information are summarised in the chart below. In 2019, 197,018 shares (149,926 in 2018) were traded in the auctions, representing 0.9% of shares in issue. The total number of shares traded and bought back in 2019 was 289,175 (330,575 in 2018), equal to 1.3% of shares in issue.

The share auctions were suspended in December 2018 and January 2019 as the directors wished to avoid price sensitive information about the sale of two wind farms being announced during the period of time an auction was in progress.

Over the course of 2019, the traded share price increased by 44% from £1.48 in November 2018 to £2.13 in December 2019. The traded share price has continued to rise, increasing to an average of £2.26 per share for the first 3 months of 2020.

## THRIVE RENEWABLES PLC - SHARE TRADING




### TRADED SHARE PRICE

**+44%**

(2018/2019)

15.4% of shares have elected to scrip dividends, where shareholders take the value of dividends in additional shares, rather than in cash.

## RECOMMENDED DIVIDEND

A 40p interim dividend was approved in March 2019 and paid in April 2019 in two instalments.

The approved final dividend for 2018 of 7p per share was paid in July 2019.

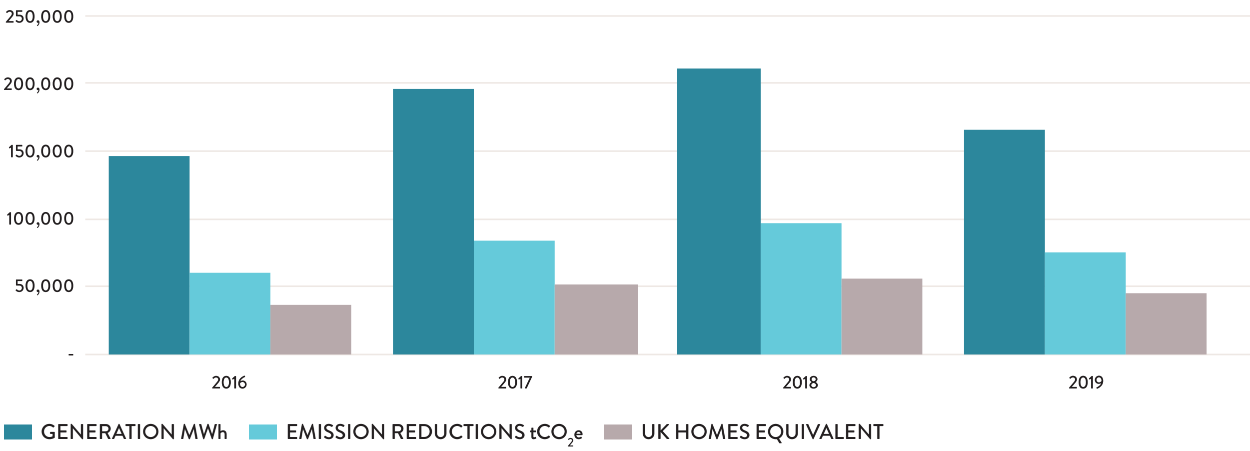
For 2019, the directors recommend the payment of a 7p dividend to be paid in July 2020, which will be subject to approval by shareholders at the AGM on 29 June 2020. This dividend is consistent with the amount paid in 2019 and a result of continued strong operating results.

## KEY PERFORMANCE INDICATORS

We have developed key performance indicators (KPIs) to monitor and review our 'health and impact'. These cover the corporate, financial, operational and growth aspects of the business. The directors routinely monitor KPIs including those summarised in the table below:

| KPIs | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Turnover | £13.8m | £16.52m | £15.61m | £13.54m |
| Operating Profit | £4.1m | £5.4m | £4.40m | £2.74m |
| Profit (after tax and minority interests) | £17.6m | £2.8m | £1.87m | £(0.39)m |
| Net Assets | £47m | £38m | £37m | £35m |
| Total investors | 6,096 | 6,152 | 6,243 | 6,264 |
| Directors' Recommended Share Price | £2.65 until March 2019; £2.28 from March 2019 | £2.60 | £2.35 | £2.35 |
| Dividend paid | 7p Final 40p Interim | 4p | 4p | 4p |
| Reportable health and safety incidents | 0 | 1 | 0 | 0 |
| Average UK Homes Equivalent of electricity generated (Impact portfolio) | 44,713 | 55,797 | 51,971 | 37,484 |

## THRIVE RENEWABLES ELECTRICITY GENERATION AND IMPACT




STRATEGIC REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

THRIVE RENEWABLES

# FINANCE

## FINANCIAL REVIEW

The group results are a statutory pre-tax profit of £18,443,921 for the year ended 31 December 2019 compared to £3,934,430 in 2018. The statutory results under IFRS include movements on the fair values of financial instruments (gain of £122,725 and £580,088 in 2018). Excluding the impact of market-based financial instrument gains and losses, the underlying pre-tax profit in 2019 was £18,321,196, increased from £3,354,342 in 2018. This result was affected by a number of factors:

- In February 2019 two subsidiaries were sold, realising a gain of £15,429,000. This is effectively recognising future revenue and profits from these operating wind farms early. The company's operating profits for 2019 are therefore reduced compared to 2018 due to a reduction in the size of the portfolio of generation assets.
- The remaining portfolio (excluding the two sites sold) experienced reduced availability from operational issues amounting to 6,379MWh of reduced generation compared to 2018 (5.1%). However, due to improved electricity prices in 2019, the adjusted revenue for 2019 compared to 2018 (both excluding the two sites sold) was marginally higher.
- In 2019, the portfolio has not benefited from significant other income for insurance claims and availability warranties leading to a decrease in other income of approximately £776,000. This is due to the insolvency of our operations and maintenance contractor, Senvion GmbH which was liable for availability claims at Caton Moor and Severn. We are pursuing claims with the administrators and insurers but have not accounted for them due to the level of uncertainty over recovery. Due to the uncertainty, in the 2019 financial reporting, we have assumed that none of the outstanding claims (which could exceed £1 million) will be recovered. Any successful claims will be included in future reporting.
- Direct costs this year decreased by £1,956,000, of this £1,456,000 was due to the two sites that were sold. The remaining reduction of £500,000 was a result of decreased repair costs and earn out provision to previous project owners.
- There has been an overall £198,000 decrease in administrative cost in 2019. The reduction from the two sites sold was £241,000 but additional company resources have increased costs by £43,000.
- Finance costs have decreased by £874,000. Of the decrease, £348,000 is the saving from the two sites sold but the remaining £526,000 is from capital repayments and reduced interest rates negotiated.
- Finance income has reduced by £13,000 as a result of mezzanine loan repayments. The positive movement in valuation of interest rate swaps has reduced by £457,000 as most of these liabilities have now been settled. Share of associated profits has decreased by £80,000 this year.
- Pre-tax profit in 2019 was £18,444,000. Of this, £15,429,000 was the gain from the sale of two wind farms. Pre-tax profits excluding this exceptional gain were £3,015,000 which is £919,000 lower than 2018. This reduction in profits was largely due to the sale of the two projects.

| | 2019<br>£ | 2018<br>£ | 2017<br>£ | 2016<br>£ | 2015<br>£ | 2014<br>£ |
|---|---|---|---|---|---|---|
| (Loss)/Profit before tax before Fair Value adjustments | 18,321,196 | 3,354,342 | 2,114,567 | (287,249) | 2,061,394 | 1,659,446 |
| Fair value adjustments | 122,725 | 580,088 | 551,158 | (603,305) | 248,530 | (1,755,174) |
| Profit before Tax under IFRS | 18,443,921 | 3,934,430 | 2,665,725 | (890,554) | 2,309,924 | (95,728) |

The trading results for the financial year and the group's position at the year-end are shown in the attached financial statements. A summary of turnover by operating site is as follows:

## TURNOVER SUMMARY BY OPERATING SITE

| SITE | DATE ACQUIRED | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 | 2014 £'000 | 2013 £'000 | 2012 £'000 |
|---|---|---|---|---|---|---|---|---|---|
| Beochlich | 1998 | 492 | 448 | 448 | 288 | 313 | 242 | 342 | 335 |
| Haverigg II | 1998 | 676 | 427 | 424 | 364 | 433 | 416 | 375 | 360 |
| Ness Point | 2005 | 545 | 530 | 509 | 224 | 561 | 605 | 440 | 580 |
| Caton Moor | 2006 | 3,645 | 4,039 | 3,468 | 2,861 | 3,439 | 3,604 | 3,571 | 3,030 |
| Sigurd | 2006 | 502 | 417 | 201 | 365 | 265 | 202 | 189 | 206 |
| Wern Ddu* | 2009 | 287 | 1,848 | 1,928 | 1,551 | 2,138 | 1,843 | 1,946 | 1,744 |
| Kessingland* | 2010 | 169 | 1,277 | 1,340 | 1,470 | 1,703 | 1,680 | 1,522 | 1,528 |
| Dunfermline | 2011 | 468 | 500 | 513 | 411 | 589 | 513 | 494 | 472 |
| Eye | 2012 | 1,388 | 1,275 | 1,355 | 1,258 | 1,446 | 1,599 | 1,034 | - |
| Severn | 2012 | 1,517 | 1,789 | 1,715 | 1,443 | 1,752 | 1,634 | 190 | - |
| March | 2013 | 639 | 551 | 637 | 661 | 747 | 95 | - | - |
| Auchtygills | 2007 | 315 | 312 | 281 | 268 | 144 | - | - | - |
| Clayfords | 2007 | 300 | 289 | 290 | 249 | 165 | - | - | - |
| Boardinghouse | 2014 | 2,895 | 2,821 | 2,453 | 2,122 | 1,457 | - | - | - |
| Other | N/A | - | - | 48 | 7 | 6 | - | - | - |
| **Total**** | | **13,838** | **16,523** | **15,610** | **13,542** | **15,158** | **12,433** | **10,103** | **8,255** |

* Turnover to the point of sale in February 2019

** Turnover only relates to subsidiaries of Thrive.

On 31 December 2019, the group held £19,532,000 of cash compared to £16,322,000 in 2018. This amount was high at the end of 2019 due to the funds realised from the sale of the two projects being committed but not invested until early 2020. Cash reserves are held in the business for working capital requirements and debt service reserves. The group's net debt at 31 December 2019 was £15,211,000 (2018: £33,330,000), a decrease of £18,119,000 over the previous year as a result of the repayment of bank and mezzanine debt and cash held. The ratio of net debt to fixed assets at 31 December 2019 was 22% compared to 48% in 2018.

The results for 2019 show strong financial and operating performance and the directors consider that Thrive Renewables remains in a strong financial position to progress in the future.

## GOING CONCERN

Thrive Renewables operates within the electricity industry, which is subject to both high-level regulation and long-term government support. The group owns operational capital assets and has the benefit of long-term contracted revenues with electricity companies. The directors consider that these factors provide confidence over future forecast income streams. In addition, the directors consider that Thrive and the group have sufficient cash funds and finance facilities available for their ongoing operations.

After due consideration, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### COVID 19 RISK

At the time of writing this report, we are in the midst of the COVID-19 pandemic. Whilst it is challenging to be conclusive on the exposure faced at such a dynamic and unpredictable time, we are working hard to protect the safety of the team, our contractors and wider stakeholders and to operate responsibly adhering to government guidance. Our wind farms and hydro projects form part of critical national infrastructure and are maintained and generating as usual with adapted practices to respect guidance and both site and individual contractor circumstances. The pipeline of new renewable energy projects remains strong and we continue to be committed to our mission to power the transition to a sustainable energy future by helping people meaningfully connect with clean energy projects.

In addition to continuing to safely operate the portfolio, managing revenue risk is paramount to the successful operation of the business. We are dependent on the electricity supplier counterparties paying for the electricity we generate and sell to them. We sell to a range of electricity suppliers, so this risk is mitigated to a certain extent by diversifying the counterparty credit exposure. Additionally, the payment terms of our supply agreements would limit the amount of revenue missed in the event that a counterparty became insolvent. As an additional mitigant, Thrive maintains a 4 month operational cash buffer, to ensure that the business can withstand an extended business interruption.

Low oil prices have impacted natural gas prices and reduced commercial and industrial demand for power due to the lock down measures, leading to a reduction in the electricity price. Thrive's revenues are split between electricity sales and the government backed support. Electricity sales make up c.50% of revenues. Therefore, the impact of volatility in the wholesale electricity market is dampened by the mix of revenue sources. In addition, Thrive employs a range of structures to take the power generated to market, including floor prices and price fixing mechanisms.

The company has modelled a range of reasonable worst case electricity price scenarios and the risk of extended generator outages caused by reduced availability of replacement parts over the coming 12-24 months. We are confident that Thrive continues to be able to service its liabilities and remains a going concern.

Three to six months of interruption to the construction of new projects which Thrive is presently funding will not have a material impact on their value. If construction schedules are interrupted for longer periods, additional mitigation measures will be taken. The pipeline of new investment opportunities continues to provide us with confidence in ongoing growth potential.

Thrive Renewables operates with a small, specialist executive team of 11. The Group also engages a much larger network of contractors spanning a wide range of responsibilities from physical turbine monitoring and maintenance to shareholder registrar services. During the current lock down continuity measures are working both within the Thrive team and across the contractor base. Whilst the long term relationships we have are valuable to us, we are confident that if required alternative service providers can be sourced.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including price risk, interest rate risk, credit risk, foreign exchange risk, operating risk and changes in government policy. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provides written principles on the use of financial derivatives to manage these risks. The group does not use derivative financial instruments for speculative purposes.

### PRICE RISK

Thrive Renewables has a degree of exposure to the wholesale electricity market at all sites. To mitigate this risk, we negotiate power purchase agreements (PPAs) with range of time horizons, indexation, price fixing mechanism and 'floor' prices to protect our downside risk.

### INTEREST RATE RISK

Thrive Renewables uses a mixture of debt and equity to finance growth in the portfolio of operating assets. The debt financing potentially exposes the business to interest rate fluctuations. The risk has been minimised by gearing each new project at a level to allow debt repayments to be met with sufficient headroom. In most cases, long-term loans are subject to fixed interest rates that eliminate exposure to interest rate increases. Where long-term loans are not at fixed interest rates, the group seeks to fix these through the use of interest rate swaps. At present all debt is at fixed interest rates.

### CREDIT RISK

In the event of default by a customer, significant financial loss could arise. However, Thrive Renewables will normally only consider entering into power purchase agreements (PPA) for the sale of its electricity with utility companies or government-backed contracts. With merchant projects such as Dunfermline, March and Eye, an industrial host is the primary recipient of production, and therefore the counterparty to the PPA. However, there are also power purchase arrangements in place with reputable utility companies to receive any excess power, and the entire volume in the case of default of the host.

Thrive routinely enters into long term operations and maintenance agreements (OMAs) with turbine manufacturers which provide performance monitoring, servicing, fault finding and repairs. These agreements often include an availability warranty which provides for compensation in the event that the equipment does not perform. Availability is calculated annually, with any claims made retrospectively. This time lag represents a credit exposure. Thrive purchases equipment and enters OMAs with the world's leading manufacturers and monitors their financial standing to mitigate this risk.

### FOREIGN EXCHANGE RISK

Thrive Renewables imports capital equipment for the construction of renewable energy projects direct from suppliers located abroad and is therefore exposed to risk from fluctuations in foreign currency exchange rates. Forward currency contracts are purchased to mitigate foreign currency exposures at the time of entering into any such contract or commitment.

### OPERATING RISK

The generation of electricity involves mechanical and electronic processes which may fail under certain conditions, leading to loss of revenues and repair or replacement costs. Thrive Renewables uses proven technologies backed by warranty and service packages. Generally, warranties will guarantee a level of availability for between five and fifteen years and there will normally be a fixed price or index to production for the provision of operations and maintenance. We also buy specialist insurance to seek to mitigate against any losses.

### CASH AND LIQUIDITY RISK

Cash and liquidity risk describes the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The group has cash resources available to it and prepares, in the operating entities of the group, forecasts for the forthcoming year which indicate that in the directors' opinion it will have sufficient resources to fund the continuation of trade.

The group monitors cash flow forecasts on a 'rolling forecast' basis to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so as not to breach borrowing limits or covenants.

Typically, the group ensures that it has sufficient working capital to meet foreseeable operational expenses. At the year end the group had available facilities of £19.5m (2018: £16.3m).

### GOVERNMENT POLICY

The renewable energy industry receives government incentives to encourage the generation of renewable energy. While there have been numerous changes reducing the support and incentives for which new projects are eligible, the schemes for which existing projects have qualified have not been modified. This allows each project to benefit from the original support for a predetermined term. No main political party has proposed any retrospective change.

### BREXIT RISK

Whilst there continues to be little clarity on the details of the future relationship between UK and EU, it is possible to comment on the areas of the business we anticipate could be directly impacted.

The UK's future approach to energy, environmental and climate change policy is critical to Thrive's growth plans. Net zero emission reduction targets and renewable energy targets were implemented at a UK level in June 2019 in addition to the wider EU commitments. With increased public consciousness, and prominence of climate change considerations in December's election campaigns, we don't anticipate that leaving the EU will increase the risk of a change in direction from addressing climate change.

We expect that the rules governing the movement of goods and services will change. Potentially the most immediate impact could be the introduction of taxes on imported goods and services, as the UK may move away from the EU wide trade agreements. This may impact on operational costs as elements of replacement parts and equipment are sourced from outside the UK. Additionally, the majority of capital equipment, wind turbines, hydro generators etc. are imported. Thrive could therefore be exposed to increased capital equipment costs. Where possible, Thrive builds actual capital expenditure into valuations at the acquisition stage, and would therefore seek to offset this exposure as part of its project acquisition strategy. In addition, this impact will be felt by all generators, so it is reasonable to expect that over time any change in cost base would be reflected in the price of energy, or that the UK based supply chain may grow over time.

Fluctuations in the £:€ exchange rate continue to be an exposure managed by the company. The operational cost exposure is manageable within operational cashflows. However, as much of the capital equipment to build new renewables projects is priced in €, the impact on valuations of acquisitions can be material. Thrive therefore seeks to manage this exposure as part of project acquisition strategies by hedging the required foreign exchange exposure upon acquisition. In current market conditions, the wholesale electricity price is heavily influenced by the price of natural gas, this is traded in €, so if the £ weakens against the €, the cost of natural gas increases, and the price of electricity tends to increase also, which can have a positive impact on Thrive's revenue from electricity sales.

Thrive will continue to monitor the Brexit negotiation process and endeavour to respond to both opportunities and exposure as they become clear.

## CLIMATE RISK

In line with good governance, Thrive continues to consider 'climate risks' in the context of the business, both in terms of the physical and transitional risks.

In the context of transitional risk, as a mission driven business which has been established to contribute to addressing climate change by making investments in to, and operating projects which clean up the UKs energy system, addressing climate risk is very much part of our DNA. With growing understanding and consciousness of the risk posed by climate change, we anticipate growing interest in investment into assets which lower GHG emissions, such as clean energy. We consider the divestment movement from fossil fuel based investments to carbon neutral solutions to be an opportunity as GHG emission reductions are a critical component of our investment criteria.

As a renewable energy generator, we are exposed to the weather. When we make an investment, we project future natural resource availability using in situ monitoring, combined with historic data. Individual investment valuation time horizons project forwards the full 20-30 years of expected operational life (depending on the technology and contractual framework). We deploy proven technology, designed and constructed to withstand extreme weather and maintain productivity in a wide range of conditions. As the weather becomes more extreme, installing the best available technology and diversification in the portfolio (both location and technology) will be increasingly important. This forms part of Thrive's investment strategy.

As the energy sector transitions away from fossil fuels to a renewables based system, the basis for pricing energy is also changing. We engage market leading expertise to provide scenario analysis of how the electricity system and energy mix will change and the consequences this will have on energy prices. Thrive uses this analysis to inform commercial decision making, long term investment choices, portfolio valuation and strategy.

Since establishment 25 years ago Thrive has reported on the emission reductions generated by the Group. In addition to this we are improving the way we measure and report on the carbon footprint of our operations with a view to achieving carbon neutrality in all areas of the business. Focusing on generating renewable energy is a good start, with wind turbines and the associated fabrication and construction in the UK having a carbon payback period of 6-12 months[23]. We are taking steps to implement best practice reporting on emissions relating to our own business operations.

[23] https://www.cse.org.uk/downloads/reports-and-publications/planning/renewables/common_concerns_about_wind_power.pdf

## PAYMENT POLICY

It is group policy to comply with the terms of payment agreed with each supplier rather than to follow a particular code or standard. Where terms are not negotiated, we endeavour to adhere to the supplier's standard terms. Trade creditors relate mainly to fixed assets purchased in the year, so no meaningful 'creditor's days' calculation is possible.

### SECTION 172(1) STATEMENT

The s172 duty requires directors to run the company for the benefit of its shareholders as a whole and in doing so the board should take into account the long-term impact of any decision, maintaining stakeholder relationships, the external impact of its activities and maintaining a reputation for high standards of business conduct.

Thrive's mission is to power the transition to a sustainable energy future by helping people meaningfully connect with clean energy projects. For 25 years, environmental and social responsibility have been at the core of our purpose and operations.

We provide disclosure relevant to the requirements of Section 172(1) a)-f) throughout this report. The table below navigates where further context for Thrive's responsible approach to business and wider stakeholder considerations can be found. The board holds quarterly meetings, at which the executive present operational performance, progress against key objectives, risks and controls, investment opportunities and alignment with strategy. The strategy and objectives of the company are reviewed and where appropriate revisited annually. The development and agreement of the strategy and objectives of the company incorporate the long-term interests of wider stakeholders - including the members, suppliers and customers, employees and host communities - and the environment, with the intention of delivering positive impact.

In addition to quarterly meetings, the board maintain four committees: operations, health, safety and environment; audit; renumeration and nominations. The committee structure provides the opportunity for more detailed insight and direction to be shared between the directors and the executive. Details of the committees are set out in the Corporate Governance section (page 44) of the report.

| SECTION 172(1) REPORTING REQUIREMENT | EVIDENCE |
|---|---|
| (a) the likely consequences of any decision in the long term | Thrive's long-term approach is evidenced by both our track record and investment portfolio (see map/ operations). Additionally, our investment criteria and approval process aims to identify and secure investment opportunities which deliver long term financial, environmental and social returns both aligned with our mission and values and achieving an appropriate balance between risk and return for investors. The Key Performance Indicators are detailed on page 35. |
| (b) the interests of the company's employees | Both the operations section on page 29 and corporate governance summary on page 44 present the objectives and ongoing review and development of our employee benefits. Pages 48 to 50 provide background on the skills, experience and roles of Thrive's board and executive team. |
| (c) the need to foster the company's business relationships with suppliers, customers and others | Thrive engages with a wide variety of suppliers, contractors and customers across the construction and physical operations of the project portfolio, investor and commercial activities, including power sales, land leases and banking. The majority of these relationship are long term (5 to 25 years) in nature. Our procurement process not only considers competence, capability, cost, terms and review of performance, but also where possible we aim to work with parties with aligned values. |

| | |
|---|---|
| (d) the impact of the company's operations on the community and the environment | Positive environmental impact is at the heart of Thrive's mission and values. We routinely report on the volumes of renewable electricity generated and the resultant avoided GHG emissions. Positive social impact via our investor community, community energy funding bridge, community benefit programme, open days and educational activities are described throughout the director's report. Pages 9 to 10 summarise Thrive's environmental and social impact. |
| (e) the desirability of the company maintaining a reputation for high standards of business conduct | Our reputation and integrity is fundamental to long term relationships with all stakeholders. For over 25 years, Thrive has offered individuals the opportunity to make direct investment into renewable energy projects, with a view to cleaning up the UK's energy system and ultimately addressing climate change. Trust is key and we earn that trust via rigorous governance, high standards of business conduct and transparency. Further details can be found in the Corporate Governance section of this report on page 44. |
| (f) the need to act fairly as between members of the company | Thrive unites a community of over 5,400 shareholders who have invested between a few hundred and several million pounds. We provide transparent communications to all investors large and small via the annual report, half year update, company website and newsletters. These provide all members and wider stakeholders with information about the company's performance, impact and material developments.<br><br>A number of board directors and the executive team own shares in the company (see page 44). Thrive operates a dealing code to mitigate the risk of the board and executive who may benefit from insider information from using this to the disadvantage of other shareholders. |

Approved by the Board of Directors
and signed by order of the Board

K Cross.

**Katrina Cross**
Secretary
5 May 2020

# DIRECTORS' REPORT



Board of directors

> Lots of businesses claim to have a mission. Thrive's mission is real and shared by its staff, shareholders and Directors who all want a clean energy future. That gives Thrive the freedom to take pioneering risks that other organisations shy away from.

**Colin Morgan, Non-Executive Director**

The directors present their annual report on the affairs of the group, together with the audited consolidated financial statements and auditor's report, for the year ended 31 December 2019.

Details of significant events since the balance sheet date are contained in note 36 to the financial statements. An indication of likely future developments in the business of the company and details of research and development activities are included in the strategic report.

Information about the use of financial instruments by the company and its subsidiaries is given in note 29 to the financial statements.

## DIRECTORS

The current directors of the Company are shown on page one. All directors served throughout the financial year and to date.

The directors and their interests in the ordinary shares of the Company at the beginning of the financial year and the end of the financial year were:

| | 50P ORDINARY SHARES FULLY PAID | |
|---|---|---|
| **DIRECTOR** | **2019** | **2018** |
| Matthew Clayton | 858 | 709 |
| Katrina Cross | - | - |
| Katie Gordon | - | - |
| Charles Middleton | - | - |
| Colin Morgan | - | 4,384 |
| Simon Roberts | 664 | 549 |
| Tania Songini | - | - |
| Peter Weston | 2,631 | 2,631 |

During the year Colin Morgan transferred his shareholding to family members.

## DIVIDENDS

The recommended dividend for 2018 of 7p per share was paid in July 2019. During 2019, 40p of interim dividends were also paid to shareholders as a result of the sale of two operational windfarm subsidiaries. In addition, after a year of strong operational performance in 2019, the directors recommend a final dividend of 7p per share for payment in 2020.

We remain committed to paying annual dividends from the profits of the business (subject to maintaining appropriate financial reserves) and seeking further investment through share and bond issues to fund the group's growth. This is consistent with our approach to date and endorsed by feedback from the shareholder surveys conducted in 2019 and 2013.

## CORPORATE GOVERNANCE

In 2016, Thrive decided to adopt the Quoted Companies Alliance Code (QCA Code). The code sets out governance guidance and best practice appropriate for companies of the scale of Thrive Renewables. While Thrive Renewables is not listed on any stock exchange, the QCA Code is largely relevant. The Company's website www.thriverenewables.co.uk hosts a range of information in accordance with the QCA Code. We continue to incorporate the additional information into the Annual Report and Accounts.

The table below summarises the responsibilities and membership of the four Board Committees.

| COMMITTEE | KEY RESPONSIBILITY | CHAIR | MEMBER |
|---|---|---|---|
| Audit | Oversight of the governance, finances, risks and processes | Tania Songini | Charles Middleton |
| Nominations | Oversight of the performance and appropriateness of the Board resources and recruitment of Board members | Simon Roberts | Katie Gordon |
| Remuneration | Oversight of the appropriateness of the remuneration, incentivisation and retention of Board and senior executives | Charles Middleton | Colin Morgan<br><br>Katie Gordon (appointed November 2018) |
| Operations, Health, Safety and Environment | Oversight of the HS&E and the operations of the Company | Peter Weston | Colin Morgan |

## BOARD COMMITTEE REPORTS

Each board committee's report for 2019 is presented below. The terms of reference of the board committees and the wider governance structure is available on our website. The chair of each committee reports to the board on the committee's work and the board receives minutes of all committee meetings.

### AUDIT COMMITTEE

#### The Role of the Audit Committee

The board's obligation to establish formal and transparent arrangements for considering how it should apply financial reporting and internal control principles, and for maintaining an appropriate relationship with the company's external auditors, PricewaterhouseCoopers LLP, is met through the audit committee.

The audit committee is chaired by Tania Songini and comprises one other independent non-executive director – Charles Middleton. Both committee members are considered to have recent and relevant financial experience. The audit committee met twice during 2019, including immediately before the company's full year results were published. A number of items were also discussed and approved electronically, including the half year results and report and audit planning. The audit committee follows an agreed annual work program comprising both regular items and areas considered to require particular focus.

The managing director and finance director attend the meetings and the external auditors participate once a year. The audit committee chair or the committee meet with the auditors, without management present, from time to time.

#### Activities in 2019

The specific items considered by the Audit Committee in 2019 included:

- consideration of the half-yearly and interim management statements and preliminary full year results and the annual accounts;
- consideration of proposed budget for 2020;
- consideration of compliance with accounting standards, appropriate accounting policies and practices, accounting and reporting issues and going concern assumptions;
- full implementation of the revised risk register;
- full implementation of the revised internal controls framework of financial and wider business controls and testing/assurance;
- consideration of PricewaterhouseCoopers LLP's in-depth reports to the committee on the scope and outcome of the annual audit and management's response, including accounting matters, governance and control and accounting developments (including consideration of impact of International Finance Reporting Standard 16);

- review and pre-approval of services provided by the auditors during the year, including all non-audit work performed by the auditors to ensure that the objectivity and independence of the auditors was not compromised – PricewaterhouseCoopers LLP only provided advisory work in respect of tax related matters;
- recommending the re-appointment of PricewaterhouseCoopers LLP as the group's auditors;
- confirmation that no concerns were raised with the committee about possible improprieties in matters of financial reporting or other matters;
- reviewing the committee's terms of reference to ensure they reflect developments in corporate governance in the UK.

The committee reviewed its activities in 2019 against its terms of reference and concluded that it had discharged the responsibilities delegated to it under those terms of reference. It has satisfied itself that the company's business, and that of its subsidiaries, is being conducted in a proper and economically sound manner.

**Tania Songini**
Chair of the Audit Committee

## NOMINATIONS COMMITTEE

The nominations committee met once in 2019. The committee concluded that there was no requirement for new non-executive director or senior management appointments in 2019.

As part of the company's articles of association, all non-executive board members must stand for re-election every three years. The nominations committee considered that Katie Gordon, Peter Weston, Tania Songini and Matthew Clayton continue to have relevant skills and experience and make a positive contribution. Therefore, their re-appointment was proposed at the company's AGM in June 2019. All were successfully reappointed.

Following a review of the nominations committee terms of reference in December 2019, the committee concluded that they had satisfactorily discharged its responsibilities.

**Simon Roberts**
Chair of the Board and of the Nominations Committee

## REMUNERATION COMMITTEE

The remuneration committee met three times in 2019. Charles Middleton (chair) was able to attend two meetings and part of one meeting. Katie Gordon and Colin Morgan were present at all three meetings and Matthew Clayton was in attendance for two of the meetings.

The underlying remuneration policy agreed and implemented in 2017 remains unchanged. The policy provides for fair pay for a professionally managed values-based business. The basis of the executive remuneration package is consistent throughout the company. The package comprises a basic salary, modest bonuses awarded annually in the case of exceptional individual and company performance, company pension scheme contributions, plus inclusion in the company's death in service and long-term sickness insurance scheme.

In 2019 a wider benefits review was conducted and implemented. The objectives built on the underlying remuneration policy objectives;

1. Be a fair and responsible employer
2. Reward employees for delivery of positive outcomes in a way that promotes collaboration and cooperation
3. Offer commercial benefit packages, attracting and retaining a high calibre team, whilst also reflecting the mission and values of the business
4. Encourage and provide development opportunities
5. Reward loyalty and promote team retention
6. Offer flexibility where possible

The benefits review included the consideration of an employee share option scheme. However, the cost of implementation and operation of the scheme was deemed to be prohibitive, relative to the modest incentives to be offered in Thrive's context.

The wider benefit package implemented includes additional days leave linked to length of service, an ability to buy additional leave, climate perks sustainable holiday travel incentive (see Impact section for more detail) and a private medical insurance scheme.

The salary ratios for the executive management team are presented in the table below.

| | 2018 | 2019* |
|---|---|---|
| Ratio of highest salary compared with lowest Salary | 3.8x | 7.2x |
| Ratio of highest salary compared with average (mean) salary | 1.8x | 2.2x |

* The appointment of an apprentice into the finance team in 2019 is the primary driver for the year on year change in the salary ratios.

The non-executive directors' remuneration is a fixed annual fee. In January 2019, it was agreed that the non-executive remuneration would, subject to performance, be adjusted annually by inflation. Therefore, in January 2019 the non-executive directors' fees were increased by 2.2% (CPIH[24]), and by 1.4% in January 2020. Additionally, the chair's remuneration was increased from £13,000 in 2018 to £14,479.92 in January 2020 (£1,000 increment plus inflation), reflecting the additional workload and contribution of this key board position.

In December 2019, the remuneration committee reviewed the committee's terms of reference and made some minor amendments to reflect best practice more accurately, based on the committee's actual experience. The committee were satisfied that they had discharged their responsibilities delegated under them.

**Charles Middleton**
Chair of the Remuneration Committee

### OPERATIONS, HEALTH, SAFETY AND ENVIRONMENT (OHSE) COMMITTEE

The OHSE committee is responsible for overseeing matters related to health, safety, operations and the environment in the company, particularly regarding our operational renewable assets and those in construction. The committee is not formally required under the QCA Code, but the board of directors considers that the committee's oversight role is important due to the company's operation of physical renewable assets.

The committee met four times during 2019 to agree the company's health, safety and operational targets and to monitor progress against them. Two non-executive directors, Peter Weston (Chair) and Colin Morgan, were present at the four meetings, and they were joined by Adrian Warman (Operations Manager) and Monika Paplaczyk (Senior Investment Manager). Matthew Clayton attended three of the meetings.

The committee reviewed the performance of the third-party asset managers in 2019 and re-tendered all roles. This resulted in one change in asset manager and a revision of work scopes and costs across the portfolio. In addition, the committee agreed how to mitigate the risks related to the financial insolvency and under-performance of Senvion GmbH and the under-performance of other key turbine manufacturers and operations and maintenance contractors. In October 2019 the OHSE committee reviewed the committee's terms of reference and were satisfied that they had discharged the responsibilities delegated under them.

**Peter Weston**
Chair of the OHSE Committee

[24] Consumer Price Index (including housing costs)

# BOARD OF DIRECTORS, MANAGEMENT AND ADMINISTRATION

## BOARD OF DIRECTORS

### SIMON ROBERTS OBE

Chair

Simon has spent nearly 35 years helping people, organisations and policymakers change the way they think and act on energy. Since 2002 he has been Chief Executive of the Centre for Sustainable Energy (CSE), one of the UK's leading energy charities. Prior to this, he held senior roles at Friends of the Earth and Triodos Bank. He was Managing Director of Thrive Renewables (when it was The Wind Fund) from 2000-2002.

An experienced policy analyst and strategist, Simon is a specialist advisor to government, industry and academic bodies, including Ofgem on energy network regulation and the government on the UK's plans to cut carbon emissions. He was appointed to the government's Smart Systems Forum in 2017, advising on the transition to a smart, very low carbon electricity system. In 2019 he led the team assessing how Bristol could meet its target to achieve 'net zero carbon emissions by 2030' in response to the climate emergency. Simon is a non-executive director of Bristol Green Capital Partnership CIC and a member of Bristol's One City Environmental Sustainability Board. He was awarded an OBE in 2011 for services to the renewables industry.

### CHARLES MIDDLETON

Senior Independent Director

Charles has spent most of his career in banking, initially at Barclays where he worked in the UK and overseas in India, Botswana and the Caribbean. More recently he was managing director of Triodos Bank in the UK for 14 years, developing his interest in supporting environmental and social projects. During this time, he was actively involved in the development of Triodos Renewables up until the moment it became Thrive Renewables.

He is currently on the boards of an Australian based organisation that implements international development programs and a UK based Impact Capital advisory business. He is also on the investment committee of a Social Impact Fund investing in organisations in the West Midlands and was, until recently, on the board of a microfinance bank in India. He practices as a psychotherapist and coach working with individuals and teams and is also the Chair of ChildHope, an organisation that works with street children across the world.

> "It has been an exciting privilege to be part of an organisation that successfully took on the challenge of enabling individuals to do something that is genuinely addressing climate change in a financially sustainable way."

**Charles Middleton,**
**Senior Independent Director**

## MATTHEW CLAYTON

Managing Director

Matthew has worked in the Thrive Renewables team (formerly Triodos Renewables) since 2006 and undertakes the overall management of Thrive Renewables Plc (as a full-time employee and prior to March 2016 under the management agreement with Triodos Bank). In this time Matthew has contributed to the 15-fold growth in the company. At Triodos Bank, Matthew's responsibilities included leading the Energy and Climate equity investment team and membership of the Energy and Climate investment committee. Prior to joining Triodos Bank, Matthew was part of a small team which established Camco International, one of the world's leading carbon trading companies, focusing on supporting sustainable energy projects via the Kyoto framework. Before this, Matthew worked in risk management for TXU's Energy Trading team.

## KATRINA CROSS

Finance Director and Company Secretary

Katrina joined Triodos Bank in 2012 as Head of Finance and Operations for Investment Management UK which provided the financial and administrative support functions to Triodos Renewables and investment funds managed by the bank in the UK. In 2015 Katrina left Triodos to set up her own business but continued to provide finance director services to Thrive Renewables and in December 2018 joined the company on a full-time basis. Katrina is a qualified accountant, trained with a general practice and Coopers & Lybrand tax division and spent seven years with Watts Gregory as head of audit with a wide range of clients including charities, SMEs and large private companies. Prior to joining Thrive Renewables, Katrina spent seven years as a finance director of an environmental company that remediated contaminated land. During this time Katrina steered the company to profitable sustained growth which resulted in the company being purchased by a Canadian public company looking to expand in the UK. Working for Thrive Renewables enables Katrina to work towards providing robust financial returns to investors whilst delivering strong social and environmental benefit.

## TANIA SONGINI

Non-Executive Director

Tania has a portfolio of non-executive director roles and business consulting work. Tania is also treasurer and trustee on the board of Bond (the British network of NGOs working in international development), NED and Chair of the audit committee at London Energy (a waste to energy operator), NED at Oxford Policy Management (a development consultancy) and at the Private Infrastructure Development Group (a fund enabling and financing infrastructure projects in Sub-Saharan Africa and South/South-East Asia). Her consulting work focuses on strategy and productivity programmes across Siemens Healthcare in Europe, Middle East and Africa.

Previously, Tania worked for leading global engineering and technology services company Siemens, where she held a number of finance director and non-executive board director roles, including for Siemens Energy in the UK where she was also Controller for Siemens Energy North West Europe region. Tania is the Chair of ViaNinos UK, a charity she established in the UK in 2009 that supports projects helping street and working children in Ecuador.

## PETER WESTON

Non-Executive Director

Peter is Global Programmes Director at Energy 4 Impact, a non-profit organisation which supports small businesses in off-grid sustainable energy in sub Saharan Africa. Peter is an expert in renewable energy, bringing to the Thrive board over 20 years' experience as an investor, lender and strategic adviser in the renewable energy sector. He is a board member of Renewable World, which manages micro-scale renewable projects in developing countries, and was a visiting lecturer on energy finance at ESCP Business School. He was previously global head of finance and investment for two power equipment suppliers – Siemens Wind Power and MAN – and led GE Capital's European energy lending team. Prior to this he held management roles at the bank WestLB and the trading firm Aquila Energy. Peter has a BA in Economics and Politics from Warwick University.

### KATIE GORDON

Non-Executive Director

Katie has spent most of her career in socially responsible investment (SRI) and corporate marketing. She was Head of SRI at Cazenove Capital Management for 12 years, where she initiated, led and developed the SRI offering. This was followed by 5 years as Director of Responsible Investment and Stewardship at CCLA. Prior to working in SRI, Katie spent 5 years in strategic brand management, and was founding director of Swordfish Integrated Marketing. Previous board positions include 7 years as a trustee of Durrell Wildlife Conservation Trust and board director of UK Sustainable Investment Forum (UKSIF). Katie is currently an independent member of the Access Endowment Investment Committee; advisor to the Access to Nutrition Foundation; and on the Advisory Board of LEAP - Livestock, Environment and People at Oxford University.

### COLIN MORGAN

Non-Executive Director

Colin is a Chartered Engineer who has worked in the renewable energy industry since 1987 primarily on the development, construction, operation and financing of projects. He also works as a consulting engineer in Everoze, a technical and commercial clean energy consultancy of 50 staff which he co- founded. Presently, his work is mainly in the managing the early stage development of offshore wind farms. Previously, he grew and ultimately led one of the global regions for DNV GL – at the time the world's leading renewable energy consultancy – including having overall profit and loss responsibility for a team of 400 staff. He is a graduate of Imperial College London, a qualification supplemented throughout his career by ongoing technical training as well as training in contract management, leadership and governance. Colin's technical specialisms include: wind farm development, wind turbine design and analysis, storage and flexibility, wind and energy resource assessment, strategic analysis, and technical due diligence of projects.

## EXECUTIVE MANAGEMENT TEAM

### MATTHEW CLAYTON

Managing Director

See previous in the Board section

### KATRINA CROSS

Finance Director and Company Secretary

See previous in the Board section

### MONIKA PAPLACZYK

Senior Investment Manager

Monika has been part of the Thrive Renewables team since 2007 (previously under the management agreement with Triodos Bank). In her role as Senior Investment Manager, Monika leads the originating, development, acquisition and construction of sustainable energy assets for Thrive Renewables. Monika also manages commercial aspects of the portfolio, such as sourcing and negotiating power purchase arrangements. Previously Monika worked in Edinburgh for a consulting company where she was involved in preparing business plans and grant applications for community development, biomass and grain storage projects.

### ADRIAN WARMAN

Operations Manager

Adrian joined Thrive Renewables (formerly Triodos Renewables) in 2012 as Operations Manager in response to the growing portfolio of generating sites around the country. He ensures contracts are in place and fulfilled to maintain operating assets in line with legislation and industry standards, allowing them to run efficiently and productively over time. Adrian has a degree in Geography, Certificate in Management Studies and applied experience of contractor management, health and safety, systems development, resource management and logistics. Prior to joining us Adrian spent seven years at a senior level in the energy efficiency sector with a leading carbon reduction company focused on identifying and implementing appropriate energy-saving measures in the built environment.

### LOUISE DANIELS

Communications & Marketing Manager

Louise joined Thrive Renewables in September 2018. She has been working in marketing communications for more 25 years, initially in PR consultancy and latterly in house for ethical business and social enterprises. At Thrive, Louise is responsible for managing communication with all external stakeholders including shareholders, partners, the industry and local communities.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2019

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and Company's auditors are aware of that information.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when the Directors' Report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

## INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General meeting.

Approved by the Board of Directors and signed by order of the Board

**Katrina Cross**
Secretary

Date: 5 May 2020

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THRIVE RENEWABLES PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion:

- Thrive Renewables Plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2019; the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and Company's ability to continue as a going concern.

## REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

### COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Colin Bates** (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Bristol

Date: 5 May 2020

Avonmouth open day visitor

# FINANCIAL STATEMENTS



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED 31 DECEMBER 2019

| | NOTE | 2019<br>£ | 2018<br>£ |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Revenue | 5 | 13,838,065 | 16,522,624 |
| Cost of sales | | (7,165,969) | (9,121,763) |
| GROSS PROFIT | | 6,672,096 | 7,400,861 |
| Other operating income | 6 | 70,006 | 781,762 |
| Administrative expenses | | (2,619,726) | (2,817,290) |
| OPERATING PROFIT | | 4,122,376 | 5,365,333 |
| Finance costs | 9 | (2,550,323) | (3,424,584) |
| Finance income | 9 | 1,224,120 | 1,237,348 |
| Movement in fair value of derivative Financial instruments | | 122,725 | 580,088 |
| Gain on sale of subsidiaries | 21 | 15,429,233 | - |
| Share of net profit of associates and joint ventures accounted for under the equity method | | 95,790 | 176,245 |
| PROFIT BEFORE INCOME TAX | 10 | 18,443,921 | 3,934,430 |
| Income tax | 11 | (667,314) | (904,265) |
| PROFIT FOR THE YEAR | | 17,776,607 | 3,030,165 |
| Profit attributable to: | | | |
| Owners of the parent | | 17,571,683 | 2,802,340 |
| Non-controlling interests | | 204,924 | 227,825 |
| | | 17,776,607 | 3,030,165 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2019

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| PROFIT FOR THE YEAR | 17,776,607 | 3,030,165 |
| OTHER COMPREHENSIVE INCOME | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 17,776,607 | 3,030,165 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 17,571,683 | 2,802,340 |
| Non-controlling interests | 204,924 | 227,825 |
| | 17,776,607 | 3,030,165 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AT 31 DECEMBER 2019

| | NOTE | 2019<br>£ | 2018<br>£ |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Goodwill | 14 | 2,947,747 | 3,534,747 |
| Other Intangible assets | 15 | 9,746,526 | 10,838,083 |
| Property, Plant and Equipment | 16 | 39,994,948 | 41,516,863 |
| Investments - associates and joint ventures | 17 | 2,650,678 | 2,554,888 |
| Loan receivables | 18 | 13,221,138 | 11,091,906 |
| Derivative financial instruments | 19 | - | 29,112 |
| Deferred tax asset | 30 | 39,044 | 119,507 |
| | | 68,600,081 | 69,685,106 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 20 | 5,002,600 | 4,667,051 |
| Assets classified as held for sale | 21 | - | 16,543,760 |
| Cash and cash equivalents | 22 | 19,532,459 | 16,321,999 |
| | | 24,535,059 | 37,532,810 |
| TOTAL ASSETS | | 93,135,140 | 107,217,916 |
| | | | |
| EQUITY | | | |
| SHAREHOLDERS' EQUITY | | | |
| Called up share capital | 24 | 11,265,275 | 10,956,551 |
| Share premium | 25 | 25,089,233 | 23,827,094 |
| Capital redemption reserve | 25 | 150,662 | 104,583 |
| Retained earnings | 25 | 8,947,084 | 1,905,905 |
| Equity attributable to owners of the parent | | 45,452,254 | 36,794,133 |
| Non-controlling interests | 23 | 1,551,976 | 1,449,755 |
| TOTAL EQUITY | | 47,004,230 | 38,243,888 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

**AT 31 DECEMBER 2019**

| | NOTE | 2019 £ | 2018 £ |
|---|---|---|---|
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Derivative financial instruments | 19 | 582,145 | 1,034,011 |
| Borrowings | 27 | 31,502,766 | 46,027,918 |
| Leasing liabilities | 28 | 1,569,623 | - |
| Deferred tax liabilities | 30 | 4,422,974 | 4,905,692 |
| | | 38,077,508 | 51,967,621 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 26 | 4,108,722 | 3,269,640 |
| Liabilities classified as held for sale | 21 | - | 9,580,537 |
| Borrowings | 27 | 3,240,906 | 3,624,281 |
| Leasing liabilities | 28 | 119,063 | - |
| Current tax liabilities | | 584,711 | 531,949 |
| | | 8,053,402 | 17,006,407 |
| TOTAL LIABILITIES | | 46,130,910 | 68,974,028 |
| TOTAL EQUITY AND LIABILITIES | | 93,135,140 | 107,217,916 |

The financial statements on pages 57 to 102 of Thrive Renewables Plc, registered no 02978651, were approved by the Board of Directors and authorised for issue on 5 May 2020 and signed on its behalf by:

**Matthew Clayton**
Director

# COMPANY STATEMENT OF FINANCIAL POSITION

## AT 31 DECEMBER 2019

| | NOTE | 2019<br>£ | 2018<br>£ |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, Plant and Equipment | 16 | 22,743 | 11,209 |
| Investments - subsidiaries, associates and joint ventures | 17 | 17,344,257 | 17,344,257 |
| Loan receivables | 18 | 12,871,138 | 9,149,946 |
| Deferred tax asset | 30 | 34,197 | 25,150 |
| | | 30,272,335 | 26,530,562 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 20 | 24,851,841 | 19,040,896 |
| Taxation and social security | | 29,702 | - |
| Assets classified as held for sale | 21 | - | 5,176,485 |
| Cash and cash equivalents | 22 | 10,699,930 | 7,519,096 |
| | | 35,581,473 | 31,736,477 |
| TOTAL ASSETS | | 65,853,808 | 58,267,039 |
| EQUITY | | | |
| SHAREHOLDERS' EQUITY | | | |
| Called up share capital | 24 | 11,265,275 | 10,956,551 |
| Share premium | 25 | 25,089,233 | 23,827,094 |
| Capital redemption reserve | 25 | 150,662 | 104,583 |
| Retained earnings | 25 | 12,471,047 | 4,925,434 |
| TOTAL EQUITY | | 48,976,217 | 39,813,662 |

## COMPANY STATEMENT OF FINANCIAL POSITION - CONTINUED

**AT 31 DECEMBER 2019**

| | NOTE | 2019 £ | 2018 £ |
|---|---|---|---|
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 27 | 10,659,841 | 11,735,622 |
| Leasing liabilities | 28 | 7,627 | - |
| | | 10,667,468 | 11,735,622 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 26 | 6,198,976 | 6,717,755 |
| Leasing liabilities | 28 | 11,147 | - |
| | | 6,210,123 | 6,717,755 |
| TOTAL LIABILITIES | | 16,877,591 | 18,453,377 |
| TOTAL EQUITY AND LIABILITIES | | 65,853,808 | 58,267,039 |

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £18,076,117 (2018 - £177,029 loss). The profit for 2019 included £1,324,663 (2018 - £666,689) dividends received from subsidiary companies.

The financial statements on page 57 to102 of Thrive Renewables Plc, registered no 02978651, were approved by the Board of Directors and authorised for issue on 5 May 2020 and signed on behalf by:

**Matthew Clayton**
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2019

| | CALLED UP SHARE CAPITAL £ | RETAINED EARNINGS £ | SHARE PREMIUM £ | CAPITAL REDEMPTION RESERVE £ | TOTAL £ | NON-CONTROLLING INTERESTS £ | TOTAL EQUITY £ |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 11,024,035 | 385,487 | 23,744,407 | 14,210 | 35,168,139 | 1,452,241 | 36,620,380 |
| Changes in equity | | | | | | | |
| Issue of share capital | 22,889 | - | 82,687 | - | 105,576 | - | 105,576 |
| Dividends | - | (881,923) | - | - | (881,923) | (230,311) | (1,112,234) |
| Share buy-back | (90,373) | (399,999) | - | 90,373 | (399,999) | - | (399,999) |
| Total comprehensive income/(expense) | - | 2,802,340 | - | - | 2,802,340 | 227,825 | 3,030,165 |
| Balance at 31 December 2018 | 10,956,551 | 1,905,905 | 23,827,094 | 104,583 | 36,794,133 | 1,449,755 | 38,243,888 |
| Changes in equity | | | | | | | |
| Issue of share capital | 354,803 | - | 1,263,095 | - | 1,617,898 | - | 1,617,898 |
| Cost of share issue | - | - | (956) | - | (956) | - | (956) |
| Dividends | - | (10,341,399) | - | - | (10,341,399) | (102,703) | (10,444,102) |
| Share buy-back | (46,079) | (189,105) | - | 46,079 | (189,105) | - | (189,105) |
| Total comprehensive income/(expense) | - | 17,571,683 | - | - | 17,571,683 | 204,924 | 17,776,607 |
| Balance at 31 December 2019 | 11,265,275 | 8,947,084 | 25,089,233 | 150,662 | 45,452,254 | 1,551,976 | 47,004,230 |

# COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2019

| | CALLED UP SHARE CAPITAL £ | RETAINED EARNINGS £ | SHARE PREMIUM £ | CAPITAL REDEMPTION RESERVE £ | TOTAL EQUITY £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 11,024,035 | 6,384,385 | 23,744,407 | 14,210 | 41,167,037 |
| **Changes in equity** | | | | | |
| Issue of share capital | 22,889 | - | 82,687 | - | 105,576 |
| Dividends | - | (881,923) | - | - | (881,923) |
| Share buy-back | (90,373) | (399,999) | - | 90,373 | (399,999) |
| Total comprehensive income/(expense) | - | (177,029) | - | - | (177,029) |
| **Balance at 31 December 2018** | 10,956,551 | 4,925,434 | 23,827,094 | 104,583 | 39,813,662 |
| **Changes in equity** | | | | | |
| Issue of share capital | 354,803 | - | 1,263,095 | - | 1,617,898 |
| Cost of share issue | - | - | (956) | - | (956) |
| Dividends | - | (10,341,399) | - | - | (10,341,399) |
| Share buy-back | (46,079) | (189,105) | - | 46,079 | (189,105) |
| Total comprehensive income/(expense) | - | 18,076,117 | - | - | 18,076,117 |
| **Balance at 31 December 2019** | 11,265,275 | 12,471,047 | 25,089,233 | 150,662 | 48,976,217 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2019

| | NOTE | 2019 £ | 2018 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 33 | 8,764,403 | 10,856,289 |
| Interest paid | | (2,477,270) | (3,424,584) |
| Interest element of lease payments paid | | (73,054) | - |
| Tax paid | | (625,885) | (415,535) |
| Net cash inflow from operating activities | | 5,588,194 | 7,016,170 |
| **Cash flows from investing activities** | | | |
| Purchase of tangible fixed assets | | (115,543) | (103,408) |
| Purchase of fixed asset investments | | - | (1) |
| Proceeds on sale of subsidiaries (net of costs) | | 23,362,310 | - |
| Cash balances of subsidiaries sold | | (2,923,009) | - |
| Disposal of intangible fixed assets | | - | 115,384 |
| Loan investments repaid | | 2,320,184 | 5,311,620 |
| Loans advanced | | (4,449,415) | (451,918) |
| Interest received | | 1,224,120 | 1,237,348 |
| Net cash inflow from investing activities | | 19,418,647 | 6,109,025 |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (15,482,523) | (4,257,360) |
| Proceeds from issue of ordinary shares | | 1,616,943 | 105,576 |
| Share buyback | | (189,105) | (399,999) |
| Dividends paid to owners of the parent | | (10,341,399) | (881,923) |
| Dividends paid to non-controlling interests | | (102,703) | (230,311) |
| Net cash outflow used in financing activities | | (24,498,787) | (5,664,017) |
| **Net increase in cash and cash equivalents** | | 508,054 | 7,461,178 |
| **Cash and cash equivalents at beginning of year** | 34 | 19,024,405 | 11,563,227 |
| **Cash and cash equivalents at end of year** | 34 | 19,532,459 | 19,024,405 |

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2019

### 1. GENERAL INFORMATION

Thrive Renewables Plc ("the Company" or Thrive Renewables) is a public company limited by shares and incorporated and domiciled in Bristol in the United Kingdom under the Companies Act. The address of the registered office is given on page 4. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 15 to 42.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

### ADOPTION OF NEW AND REVISED STANDARDS

New standards, amendments and interpretations
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

The Group has adopted IFRS 16, 'Leases' using the modified retrospective approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed below.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

For leases previously classified as operating leases the Company recognised the carrying amount of the lease asset and lease liability as at 1 January 2019 as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The measurement principles of IFRS 16 are only applied after that date. There is no measurement adjustment for variable lease payments related to revenue or payment increases based on an index or rate.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonable similar characteristic;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

(ii) Measurement of lease liabilities

| | £ |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 4,819,045 |
| Increases to lease commitments based on indexation | 27,479 |
| Increase to lease commitments based on updated leases | 99,599 |
| Updated commitments | 4,946,123 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 3,551,298 |
| Lease liability recognised as at 1 January 2019 | 3,551,298 |
| Transferred to liabilities held for sale | (1,748,132) |
| Right to use assets held within tangible fixed assets | 1,803,166 |

Of which are:

| | £ |
|---|---|
| Current lease liabilities | 114,482 |
| Non-current lease liabilities | 1,688,684 |
| | 1,803,166 |

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policies affected the following items in the balance sheet on 1 January 2019:

| | £ |
|---|---|
| - assets held for sale – increase by | 1,748,132 |
| - right-of-use asset land and buildings - increase by | 1,803,166 |
| - liabilities held for sale increase by | 1,748,132 |
| - lease liabilities - increase by | 1,803,166 |

The net impact on retained earnings on 1 January 2019 was £nil.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 which have had a material impact on the company.

## 2. STATUTORY INFORMATION

Thrive Renewables Plc is a public company, limited by shares, registered in England & Wales. The Company's registered number and registered office address can be found on the General Information page.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The Group consolidated financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and with EU adopted IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

The separate financial statements of the Company are presented as required by the Companies Act 2006. These financial statements we prepared on a going concern basis, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' as issued by the Financial reporting Council. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in relation to certain assets, presentation of a cashflow statement, standards issues but not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts of Thrive Renewables Plc.

The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year unless otherwise stated, are described below.

### Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost basis except for financial instruments held at fair value through profit and loss as disclosed. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS36 Impairment.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the ultimate parent company (Thrive Renewables Plc) and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

### Going concern

The Group and Company financial statements adopt the going concern basis on the grounds that the directors believe the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Further details are included in the Strategic Report.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination include an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interest in the acquired entity is re-measured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out in the policy 'Business Combinations'.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Associates and joint ventures

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement over which the Group has joint control and the right to the net assets of the entity.

The results, assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate or joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount; any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group financial statements for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### Revenue recognition

Revenue, which is stated net of value added tax, represents amounts received or receivable in relation to the Company's principal activities in the United Kingdom.

Revenue from the supply of electricity and associated benefits represents the value of electricity generated under contracts to the extent that there is a right to consideration and is measured and recorded at the fair value of the consideration due.

Revenue is recognised when performance obligations have been satisfied and for the Group this is when electricity has been generated and transferred to the customer along with the associated benefits and the customer subsequently has control of these.

The directors consider that there is only one class of business and hence segmental information by class is not provided. The total turnover of the company for the financial year has been derived from its principal activity wholly undertaken in the UK.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Operating profit

Operating profit is stated as profit from operations, but before investment income and finance costs.

### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

### Pension costs

The Group operates a defined contribution pension scheme for all qualified employees, the assets of which are held in individually administered funds. Pension costs are charged to the profit and loss account as incurred.

### Taxation

Current tax, including corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

### Leases

As explained above, the Company has changed its accounting policy for leases where the Company or any of its subsidiaries is the lessee. The new policy is described in note 28.

Until 31 December 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payment made under operating leases were charged to profit and loss on a straight-line basis over the period of the lease.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019.

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment loss. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight-line basis, as follows:

| | |
|---|---|
| Right of use asset | over lease term |
| Leasehold property | over 25 years |
| Plant and machinery | over 20 years |
| Fixtures and fittings | over 5 years |
| IT equipment | over 4 years |

Assets under construction are not depreciated.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### Current asset investments

Current asset investments represent cash held on deposit or short-term loans.

### Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

### Intangible fixed assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of amortisation are as follows:

| | |
|---|---|
| Power purchase agreements | 5% per annum |

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### Intangible assets acquired in a business combination

Intangible assets are acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The rates of amortisation are as follows:

| | |
|---|---|
| Development rights | 5% per annum |

### Internally generated intangible assets - development expenditure

Development expenditure representing prospective renewable energy projects is written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the group is expected to benefit. Provision is made for any impairment.

| | |
|---|---|
| Development costs | 5% per annum |

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### Financial assets

Financial assets are classified into financial assets 'at fair value through profit and loss' ('FVTPL'), 'held-to-maturity' investments, available-for-sale financial assets, or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the profit and loss account.

### Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Losses (ECLs) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk,and takes into account any collateral the Company holds that would mitigate such losses.

Details of how the company has considered the impairment requirements of IFRS 9 and details of its approach to providing for ECLs can be found in note 19.

### IFRS 9 Financial assets and expected credit loss model

The Company assesses on a forward looking basis the Expected Credit Losses (ECLs) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk, and takes into account any collateral the Company holds that would mitigate such losses.

Details of how the Company has considered the impairment requirements of IFRS 9 and details of its approach to providing for ECLs can be found in note 19.

### Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date.

The resulting gain or loss is recognised in profit or loss immediately. The Group does not enter into any hedge accounting for effective hedge relationships.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised within 12 months. Other derivatives are presented as current assets or liabilities.

### Leases

As explained above, the Company has changed its accounting policy for leases where the Company or any of its subsidiaries is the lessee. The new policy is described below and the impact of the change in note 28.

Until 31 December 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payment made under operating leases were charged to profit and loss on a straight line basis over the period of the lease.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3 above, the Directors are required to continually evaluate judgements, estimates and assumptions based on historical experience and other factors that are considered to be relevant.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amount of assets and liabilities are addressed below.

### Impairment of tangible fixed assets

Determining whether tangible fixed assets are impaired requires an estimation of the value in use of the related assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the asset and a pre-tax discount rate of 7.1% (2018 - 8%) in order to calculate present value. Forecast wind volumes are based on wind studies carried out at the commencement of each project, adjusted for experience as necessary. Electricity prices are determined with reference to externally sourced forward price curves, on contracted rates as appropriate. Forecasts cover the expected life of each project. There is no evidence of impairment.

### Estimation of tangible fixed asset useful lives

The useful life used to depreciate tangible fixed assets relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefits will be derived from the asset. There is no evidence of any changes to the asset useful lives.

### Decommissioning costs

In determining the expected future costs of site decommissioning the Company estimates the expected costs taking into account the expected value of the asset being decommissioned. It is the intention that this would be settled as one cash flow transaction under one contract. Current market conditions indicate that this could lead to a positive inflow, or at least no cost, and therefore no provision for decommissioning has been made.

### Impairment of goodwill, intangible assets and tangible fixed assets

Determining whether goodwill and intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit over its estimated operational life and a pre-tax discount rate of 7.1% (2018 - 8%) is used in order to calculate present value. Forecast wind volumes are based on wind studies carried out at the commencement of each project, adjusted for experience as necessary. Electricity prices are determined with reference to externally sourced forward price curves, on contracted rates as appropriate. Forecasts cover the expected life of each project. The carrying amount of goodwill and intangibles at the balance sheet date was £2.9 million (2018 - £3.5m) and £9.7 million (2018 - £10.8m) respectively; there is no evidence of impairment.

### Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the group engages counterparties or third party qualified valuers to perform the valuation.

## 5. REVENUE

### Segmental analysis

The Directors consider that there is only one class of business provided within the UK and hence segmental information is not provided. The total turnover of the Group for the financial year has been derived from its principal activity, being the supply of energy from renewable sources.

## 6. OTHER OPERATING INCOME

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Sundry receipts | 70,006 | 781,762 |
| Other operating income is as follows: | | |
| Thrive Renewables (Ness Point) Limited | - | 195,000 |
| Thrive Renewables (Caton Moor) Limited | - | 244,516 |
| Thrive Renewables (Kessingland) Limited | - | 121,402 |
| Thrive Renewables (March) Limited | 5,870 | 46,442 |
| Thrive Renewables Plc | 63,890 | 166,864 |
| Other | 246 | 7,538 |
| | 70,006 | 781,762 |

Other operating income for Thrive Renewables (Ness Point) Limited relates to an insurance claim for repairs to a generator. For Thrive Renewables (Caton Moor) Limited, Thrive Renewables (Kessingland) Limited and Thrive Renewables (March) Limited the other income relates to lost availability warranties held with the turbine manufacturer. In Thrive Renewables Plc the other income relates to fees for loan arrangements, project development and directorships.

## 7. SHARE OF ASSOCIATED COMPANY OPERATING PROFIT

| SHARE OF ASSOCIATE'S NET PROFIT/(LOSS): | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Fenpower Limited | 95,791 | 267,443 |
| Greenbreeze Energy (Holdings) Limited | - | (91,198) |
| Aura Power Energy Systems Limited | (1) | - |
| | 95,790 | 176,245 |

All results from the Group's associates arose from continuing operations. Further details of investments in associates and joint ventures are provided in note 17.

## 8. EMPLOYEES AND DIRECTORS

| GROUP AND COMPANY | 2019<br>£ | 2018<br>£ |
|---|---|---|
| The remuneration of Directors was as follows: | | |
| Directors' emoluments | 309,365 | 269,081 |

No pension contributions were paid on behalf of the non-executive Directors in either year. Pension contributions for executive directors were £21,025 (2018 £10,199).

The highest paid director remuneration was £115,760 (2018 £98,123) and pension contributions were £11,256 (2018 £9,546). In the year £24,276 of directors' remuneration was paid to third party companies of which those directors were employed (2018 £103,814).

| EMPLOYEE COSTS (INCLUDING DIRECTORS) WERE AS FOLLOWS: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Wages and salaries | 547,552 | 419,795 |
| Social security costs | 54,554 | 37,813 |
| Other pension costs | 43,756 | 32,253 |
| | 645,862 | 489,861 |

During 2019 the average number of employees was 10 (2018:8).

The Directors of the Company are considered the only key management personnel.

## 9. NET FINANCE COSTS

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Finance income: | | |
| Interest receivable | 1,224,120 | 1,237,348 |
| Finance costs: | | |
| Bank loans | 1,453,674 | 2,310,750 |
| Other loans | 1,023,595 | 1,111,654 |
| Other interest payable | - | 2,180 |
| Leases | 73,054 | - |
| | 2,550,323 | 3,424,584 |

## 10. PROFIT BEFORE INCOME TAX

| THE PROFIT BEFORE INCOME TAX IS STATED AFTER CHARGING: | 2019 £ | 2018 £ |
|---|---|---|
| Operating leases | - | 549,706 |
| Variable lease payments | 113,060 | - |
| Depreciation - owned assets | 3,296,364 | 4,174,957 |
| Depreciation – right of use assets | 144,260 | - |
| Depreciation – assets held for sale | 116,696 | - |
| Development costs amortisation | 1,077,558 | 1,281,423 |
| Amortisation – assets held for sale | 25,482 | - |
| Purchase Power Agreement amortisation | 13,999 | 13,998 |
| Audit- parent company accounts | 33,000 | 28,500 |
| Audit- parent company accounts 2018 completion | 14,250 | - |
| Audit- subsidiary accounts | 59,000 | 42,000 |
| Audit related assurance services | 800 | 800 |
| Tax compliance | 40,783 | 36,650 |
| Tax advisory services | 5,600 | 1,250 |
| Foreign exchange differences | 20,794 | 24,965 |
| Earn out payments to project developers | 232,227 | 641,846 |

## 11. INCOME TAX

| ANALYSIS OF TAX EXPENSE | 2019 £ | 2018 £ |
|---|---|---|
| Current tax: | | |
| Current tax on income for the year at 19% (2018:19%) | 690,347 | 916,288 |
| Adjustment in respect of previous years | (11,700) | (10,929) |
| Deferred taxation: | | |
| Origination and reversal of timing differences | (21,476) | 29,811 |
| Adjustments in respect of previous years | 27,622 | (4,836) |
| Effect of changes in tax rates | (17,479) | (26,069) |
| Total tax expense in consolidated profit and loss account | 667,314 | 904,265 |

Factors affecting the tax expense

The tax assessed for the year is lower (2018 – higher) than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Profit before income tax | 18,443,921 | 3,934,430 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%) | 3,504,345 | 747,542 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 93,368 | 199,414 |
| Adjustment in respect of previous years | 15,922 | (15,765) |
| Effect of future reduction in tax rate | (17,479) | (26,069) |
| Amounts not recognised | 2,712 | (857) |
| Adjustment in respect of sale of subsidiaries* | (2,931,554) | - |
| **Tax expense** | **667,314** | **904,265** |

* The adjustment in respect of sale of subsidiaries arises as the company does not pay tax on the gain as it is able to claim substantial shareholding relief.

## 12. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £18,076,117 (2018 - £177,029 loss). The profit for 2019 included £1,324,663 (2018 - £666,689) of dividends received from subsidiary companies.

## 13. DIVIDENDS

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Interim dividends for the year ended 31 December 2019 of 40p (2018:nil) per share | 8,765,241 | - |
| Final dividend for the year ended 31 December 2019 of 7p (2018: 4p) per share | 1,576,158 | 881,923 |
| Total dividends paid | 10,341,399 | 881,923 |

## 14. GOODWILL

| COST | £ |
|---|---|
| Opening balance at 1 January 2018 | 3,534,747 |
| Additions | - |
| Balance at 31 December 2018 | 3,534,747 |
| Disposal of subsidiaries | (587,000) |
| Balance at 31 December 2019 | 2,947,747 |
| **Accumulated impairment losses** | |
| At 31 December 2018 and 31 December 2018 | - |
| **Net book value** | |
| At 31 December 2019 | 2,947,747 |
| At 31 December 2018 | 3,534,747 |

Further details with regards to the carrying value of Goodwill is given in note 4.

## 15. OTHER INTANGIBLE ASSETS

| GROUP | DEVELOPMENT COSTS | PURCHASE POWER AGREEMENT | TOTALS |
|---|---|---|---|
| | £ | £ | £ |
| COST | | | |
| At 1 January 2018 | 25,743,848 | 279,975 | 26,023,823 |
| Disposals | (115,384) | - | (115,384) |
| Assets classified as held for sale | (4,077,330) | - | (4,077,330) |
| At 31 December 2018 | 21,551,134 | 279,975 | 21,831,109 |
| Additions | - | - | - |
| At 31 December 2019 | 21,551,134 | 279,975 | 21,831,109 |
| AMORTISATION | | | |
| At 1 January 2018 | 11,261,061 | 188,851 | 11,449,912 |
| Amortisation for year | 1,281,423 | 13,998 | 1,295,421 |
| Amortisation on assets classified as held for sale | (1,752,307) | - | (1,752,307) |
| At 31 December 2018 | 10,790,177 | 202,849 | 10,993,026 |
| Amortisation for year | 1,077,558 | 13,999 | 1,091,557 |
| At 31 December 2019 | 11,867,735 | 216,848 | 12,084,583 |
| NET BOOK VALUE | | | |
| At 31 December 2019 | 9,683,399 | 63,127 | 9,746,526 |
| At 31 December 2018 | 10,760,957 | 77,126 | 10,838,083 |

## 16. PROPERTY, PLANT AND EQUIPMENT

| GROUP | RIGHT OF USE ASSET | LAND AND BUILDINGS | PLANT AND MACHINERY | FIXTURES AND FITTINGS | TOTALS |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| COST | | | | | |
| At 1 January 2018 | - | 325,000 | 83,140,671 | 15,805 | 83,481,476 |
| Additions | - | - | 101,112 | 2,296 | 103,408 |
| Assets classified as held for sale | - | - | (17,381,956) | - | (17,381,956) |
| At 31 December 2018 | - | 325,000 | 65,859,827 | 18,101 | 66,202,928 |
| Implementation of IFRS 16 | 1,803,166 | - | - | - | 1,803,166 |
| Restated 1 January 2019 | 1,803,166 | 325,000 | 65,859,827 | 18,101 | 68,006,094 |
| Additions | - | - | 115,543 | - | 115,543 |
| At 31 December 2019 | 1,803,166 | 325,000 | 65,975,370 | 18,101 | 68,121,637 |
| DEPRECIATION | | | | | |
| At 1 January 2018 | - | 273,167 | 27,334,742 | 7,902 | 27,615,811 |
| Charge for the year | - | 15,500 | 4,154,931 | 4,526 | 4,174,957 |
| Assets classified as held for sale | - | - | (7,104,703) | - | (7,104,703) |
| At 1 January 2019 | - | 288,667 | 24,384,970 | 12,428 | 24,686,065 |
| Charge for year | 144,260 | 15,500 | 3,276,339 | 4,525 | 3,440,624 |
| At 31 December 2019 | 144,260 | 304,167 | 27,661,309 | 16,953 | 28,126,689 |
| NET BOOK VALUE | | | | | |
| At 31 December 2019 | 1,658,906 | 20,833 | 38,314,061 | 1,148 | 39,994,948 |
| At 31 December 2018 | - | 36,333 | 41,474,857 | 5,673 | 41,516,863 |

The net book value of right to use asset included £1,658,906 (2018 - £nil) in respect of assets held under leases.

| COMPANY | RIGHT OF USE ASSET £ | PLANT AND MACHINERY £ | FIXTURES AND FITTINGS £ | TOTALS £ |
|---|---|---|---|---|
| COST | | | | |
| At 1 January 2018 | - | 10,027 | 15,805 | 25,832 |
| Additions | - | 1,906 | 2,296 | 4,202 |
| At 31 December 2018 | - | 11,933 | 18,101 | 30,034 |
| Implementation of IFRS16 | 29,492 | - | - | 29,492 |
| Restated as 1 January 2019 and 31 December 2019 | 29,492 | 11,933 | 18,101 | 59,526 |
| DEPRECIATION | | | | |
| At 1 January 2018 | - | 4,011 | 7,902 | 11,913 |
| Charge for the year | - | 2,386 | 4,526 | 6,912 |
| At 1 January 2019 | - | 6,397 | 12,428 | 18,825 |
| Charge for year | 11,046 | 2,387 | 4,525 | 17,958 |
| At 31 December 2019 | 11,046 | 8,784 | 16,953 | 36,783 |
| NET BOOK VALUE | | | | |
| At 31 December 2019 | 18,446 | 3,149 | 1,148 | 22,743 |
| At 31 December 2018 | 0 | 5,536 | 5,673 | 11,209 |

The net book value of right to use asset includes £18,446 (2018 - £nil) in respect of assets held under leases.

## 17. INVESTMENTS – ASSOCIATES AND JOINT VENTURES

| GROUP | INVESTMENT IN JOINT VENTURES<br>£ | INVESTMENT IN ASSOCIATE<br>£ | TOTALS<br>£ |
|---|---|---|---|
| CARRYING VALUE | | | |
| At 1 January 2018 | 91,198 | 2,287,445 | 2,378,643 |
| Additions | 1 | - | 1 |
| Share of (loss)/profit | (91,198) | 267,442 | 176,244 |
| At 1 January 2019 | 1 | 2,554,887 | 2,554,888 |
| Share of (loss)/profit | (1) | 95,791 | 95,790 |
| Additions | - | - | - |
| At 31 December 2019 | - | 2,650,678 | 2,650,678 |
| NET BOOK VALUE | | | |
| At 31 December 2019 | - | 2,650,678 | 2,650,678 |
| At 31 December 2018 | 1 | 2,554,887 | 2,554,888 |

Results for the year ended 31 December 2019 – TR Fenpower Limited, Green Breeze Energy (Holdings) Limited and Aura Power Energy Solutions Limited.

| TR FENPOWER LIMITED – OWNED 50% BY THRIVE RENEWABLES PLC | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Current assets | 749,615 | 26,165 |
| Non-current assets | 3,738,765 | 3,738,765 |
| Current liabilities | (35,387) | (28,880) |
| Non-current liabilities | - | - |
| Net assets | 4,452,993 | 3,736,350 |
| Revenue | - | - |
| Profit or loss from continuing operations | 716,643 | 572 |

| FENPOWER LIMITED – OWNED 49.8% BY TR FENPOWER LIMITED | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Current assets | 1,623,933 | 2,570,786 |
| Non-current assets | 5,038,104 | 5,757,413 |
| Current liabilities | (537,248) | (897,998) |
| Non-current liabilities | (1,007,823) | (1,483,954) |
| Deferred tax | (735,423) | (795,292) |
| Net assets | 4,381,543 | 5,150,955 |
| Revenue | 2,471,900 | 1,551,205 |
| Profit or loss from continuing operations | 383,932 | 863,247 |

There are no other items of comprehensive income.

| GREEN BREEZE ENERGY (HOLDINGS) LIMITED | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Current assets | 2,631,057 | 2,232,267 |
| Non-current assets | 12,023,929 | 12,650,265 |
| Current liabilities | (581,863) | (1,331,629) |
| Non-current liabilities | (14,846,518) | (14,124,102) |
| Deferred tax | (234,861) | (157,320) |
| Net (Liabilities)/Assets | (1,008,256) | (730,519) |
| Revenue | 1,700,898 | 1,687,384 |
| (Loss) from continuing operations | (435,058) | (334,968) |

There are no other items of comprehensive income.

| AURA POWER SOLUTIONS LIMITED | 2019 £ | 2018 £ |
|---|---|---|
| Current assets | 19,979 | 17,047 |
| Non-current assets | 134,426 | 90,196 |
| Current liabilities | (10,384) | (5,690) |
| Non-current liabilities | (154,676) | (106,589) |
| Deferred tax | - | - |
| Net (Liabilities)/Assets | (10,655) | (5,036) |
| Revenue | - | - |
| (Loss) from continuing operations | (5,614) | (5,038) |

There are no other items of comprehensive income.

The information above represents the consolidated amounts presented in the financial statements of the associate and joint venture (and not the Group's share of these amounts), adjusted for differences in accounting policies between the group and the associate and joint venture.

There are no contingent liabilities relating to the group's interest in the associate and joint ventures.

| COMPANY<br>Investment in subsidiary undertakings and other investments at cost: | £ |
|---|---|
| **Carrying Value** | |
| At 1 January 2018 | 19,680,052 |
| Additions | 1 |
| Transferred to assets held for sale | (2,335,796) |
| At 31 December 2018 and 31 December 2019 | 17,344,257 |
| **Net Book Value** | |
| At 31 December 2019 | 17,344,257 |
| At 31 December 2018 | 17,344,257 |

Further information about associates and subsidiaries, including disclosures about non-controlling interests, is provided in note 35.

## 18. LOAN RECEIVABLES

| GROUP | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Loans to third party wind farm developers | 2,931,657 | 2,633,953 |
| Loans to joint venture company (to fund capital expenditure) | 3,140,251 | 2,979,511 |
| Loan to joint venture company (to fund acquisition) | 32,493 | 32,493 |
| Loan to joint venture company (to fund development) | 154,677 | 101,918 |
| Mezzanine loans provided to third parties | 6,962,060 | 5,344,031 |
| | 13,221,138 | 11,091,906 |

| COMPANY | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Loans to third party wind farm developers | 2,931,657 | 2,633,953 |
| Loans to joint venture company (to fund capital expenditure) | 3,140,251 | 2,979,511 |
| Loan to joint venture company (to fund acquisition) | 32,493 | 32,493 |
| Loans to joint venture company (to fund development) | 154,677 | 101,918 |
| Mezzanine loans provided to third parties | 6,612,060 | 3,402,071 |
| | 12,871,138 | 9,149,946 |

In November 2015, the Company agreed a £2.7m mezzanine finance facility with Renewable Energy Ventures (Gevens) Limited (REVG). REVG has successfully secured all the required rights and permits to build a 6.9MW wind farm in Fife, Scotland. Thrive Renewables has provided the capital to plug the funding gap. The project reached financial close in December of 2015, was constructed over summer 2016 and the operational phase commenced on 30 September 2016. Currently there is a loan balance of £2,931,657 (2018:£2,633,953) including capitalised interest.

In July 2016, the Company entered into a joint venture with Green Power (Drumduff) Ltd to purchase Green Breeze Energy Limited (GBEL). GBEL has successfully secured all the required rights and permits to build a 6MW wind farm in Scotland. Thrive Renewables has purchased a 50% holding in the Company but has also provided capital in the form of loans to fund capital expenditure. The project reached financial close in January 2017 and became operational in July 2017. At the year end there is a loan balance including accrued interest of £3,172,744 (2018:£3,012,004).

In 2018, Thrive Renewables Plc entered into a joint venture agreement with Aura Power Storage Solutions Limited. A loan of £154,677 (2018:£101,918) has been provided to the joint venture company Aura Power Energy Solutions Limited to fund business development work including capitalised interest.

Thrive Renewables Group makes mezzanine loans to companies to fund the acquisition of renewables energy projects. At the year end the balance of these loans is £6,962,060 (2018:£5,344,031) including interest accrued.

Further information about associates and subsidiaries, including disclosures about non-controlling interests, is provided in note 35 to the company financial statements.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| **Financial assets carried at fair value through profit or loss (FVTPL)** | | |
| Held for trading derivatives that are not designated in hedge accounting relationships | - | 29,112 |
| **Financial liabilities carried at fair value through profit or loss (FVTPL)** | | |
| Held for trading derivatives that are not designated in hedge accounting relationships | (582,145) | (1,034,011) |

Further details of derivative financial contracts are provided in note 29.

Assessment on Expected Credit Loss on financial assets:

The Company's financial assets are held in a business model whose purpose is to collect contractual cash flows and consist solely of principle and interest. Financial assets are initially measured at fair value and are subsequently measured at amortised cost.

The Company's financial assets, trade receivables, loans and other receivables, are subject to consideration in respect of ECLs.

The Company keeps this position under regular review, using available reasonable and supportive forward looking information including:

- monitoring the continued timely collection of receivables,
- changes in counterparty credit ratings,
- any actual or expected changes in the industry or economic conditions that could cause a significant change to the borrower's ability to meet its obligations,
- actual or expected significant changes in the operating results of the borrower,
- updated financial forecasting models of the borrower,
- significant changes in the value or nature of collateral supporting the obligation, or the quality of any third party guarantees or credit enhancements.

Financial assets are written off when there is no reasonable expectation of recovery. The Company establishes a provision for doubtful debts if they are more than 120 days past due. The Company continues to engage in enforcement activity until it is determined that the debt is uncollectible, at which point the outstanding amount is written off in full.

Given the nature of the financial assets in place the ECL applied to each is deemed to be minimal and therefore the identified impairment loss immaterial.

## 20. TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019<br>£ | 2018<br>£ | 2019<br>£ | 2018<br>£ |
| Current: | | | | |
| Trade debtors | 594,726 | 1,034,246 | 51,083 | 93,600 |
| Amounts recoverable on contract | 2,424 | - | - | - |
| Group relief debtor | - | 395,123 | 733,911 | 1,139,857 |
| Amounts owed from group | - | - | 23,780,015 | 17,584,730 |
| Amounts owed from associate | 30,787 | - | 30,787 | - |
| Taxation and social security | 55,795 | - | - | 22,497 |
| Called up share capital not paid | 36 | - | - | - |
| Prepayments and accrued income | 4,318,832 | 3,237,682 | 256,045 | 200,212 |
| | 5,002,600 | 4,667,051 | 24,851,841 | 19,040,896 |
| Non current: | | | | |
| Derivative financial instruments | - | 29,112 | - | - |
| | - | 29,112 | - | - |
| Aggregate amounts | 5,002,600 | 4,696,163 | 24,851,841 | 19,040,896 |

### Trade Debtors

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 30 days. No interest is charged on the debtors for the first 30 days from the date of the invoice. Thereafter, interest is charged at 8% on the outstanding balance.

At the year-end £785,731 has been provided against debtors for an availability claim invoiced to our Operations and Maintenance contractor Senvion GmbH. In July 2019 Senvion GmbH was declared insolvent by a German Court and therefore provision has been made against amounts outstanding that are not covered by a contractual right of set off. We continue to pursue payment through the German administration process but no income has been recognised for this claim based on the uncertainty over recovery.

The Group has not recognized any other allowance for doubtful debts as no other debts are past 120 days due and historical experience has been that debtors that are past due beyond 120 days are not recoverable. Allowances against doubtful debts are recognised against trade receivables between 30 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. The Group have no trade debtors which are past due date at the reporting date and therefore the Group has not made any allowance for doubtful debtors, other than disclosed above. There has not been a significant change in credit quality and all amounts are still considered recoverable. The average age of these debtors is 20 days (2018: 20 days).

In determining the recoverability of a trade receivable the Group considers and change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The Directors consider that the carrying amount of trade and other debtors is approximately equal to their fair value.

## 21. DISPOSAL OF ASSETS AND LIABILITIES HELD FOR SALE

### Group

The assets and liabilities related to Equitix Wern Ddu Limited (formerly Wern Ddu Limited) and Equitix Kessingland Limited (formerly Kessingland Limited) had been presented as held for sale in 2018, following the in principal approval of the directors to sell the companies. The completion date for the sale was 15th February 2019.

| ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Other intangible assets | 2,299,539 | 2,325,023 |
| Tangible assets | 10,168,616 | 10,277,253 |
| Right of use asset | 1,748,132 | |
| Trade and other receivables | 1,193,643 | 1,239,078 |
| Cash and cash equivalents | 2,923,009 | 2,702,406 |
| Disposal | (18,332,939) | - |
| | - | 16,543,760 |

| LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE: | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Borrowings | 7,379,616 | 7,456,371 |
| Lease liabilities | 1,748,132 | - |
| Trade and other payables | 182,485 | 238,028 |
| Group relief creditor | - | 600,425 |
| Deferred tax liabilities | 1,043,600 | 1,043,600 |
| Current tax liabilities | 242,113 | 242,113 |
| Disposal | (10,595,946) | - |
| | - | 9,580,537 |

| RECONCILIATION OF GAIN ON SALE | 2019<br>£ |
|---|---|
| Consideration received | 23,727,434 |
| Costs incurred | (365,130) |
| Disposal of Goodwilll | (587,000) |
| Deferred tax impact of sale | 390,922 |
| Disposal of assets held for sale | (18,332,939) |
| Disposal of liabilities held for sale | 10,595,946 |
| Gain on sale of subsidiaries | 15,429,233 |

At the company level the gain is calculated as consideration less costs £23,362,304, less shareholder loans £3,441,112 less cost of investment £2,335,796. This result is a gain of £17,585,396.

### 22. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Bank accounts | 19,532,459 | 16,321,999 | 10,699,930 | 7,519,096 |

### 23. NON-CONTROLLING INTERESTS

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| At 1 January | 1,449,755 | 1,452,241 |
| Minority share of profit/(loss) on ordinary activities after taxation | 204,924 | 227,825 |
| Minority share of dividends paid | (102,703) | (230,311) |
| At 31 December | 1,551,976 | 1,449,755 |

### 24. CALLED UP SHARE CAPITAL

| | 2019 | 2019 | 2018 | 2018 |
|---|---|---|---|---|
| | NO. | £ | NO. | £ |
| Allotted, issued and fully paid | | | | |
| Ordinary shares of £0.50 each | 22,530,549 | 11,265,275 | 21,913,102 | 10,956,551 |

During the year 709,604 Ordinary Shares of £0.50 each were allotted, issued and fully paid at a premium of £1.78 per share. The issues being 301,723 in March 2019, 301,723 in April 2019 and 106,158 in July 2019.

This allotment is part of a SCRIP scheme whereby shareholders can receive new shares instead of cash dividends.

During the year the Company bought back 92,157 shares from eligible shareholders at an average premium of £1.55.

## 25. RESERVES

| GROUP | RETAINED EARNINGS £ | SHARE PREMIUM £ | CAPITAL REDEMPTION RESERVE £ | TOTALS £ |
|---|---|---|---|---|
| At 1 January 2019 | 1,905,905 | 23,827,094 | 104,583 | 25,837,582 |
| Profit for the year | 17,571,683 | - | - | 17,571,683 |
| Dividends | (10,341,399) | - | - | (10,341,399) |
| Share issue | - | 1,263,095 | - | 1,263,095 |
| Share buy-back | (189,105) | - | 46,079 | (143,026) |
| Cost of share issue | - | (956) | - | (956) |
| At 31 December 2019 | 8,947,084 | 25,089,233 | 150,662 | 34,186,979 |

| COMPANY | RETAINED EARNINGS £ | SHARE PREMIUM £ | CAPITAL REDEMPTION RESERVE £ | TOTALS £ |
|---|---|---|---|---|
| At 1 January 2019 | 4,925,434 | 23,827,094 | 104,583 | 28,857,111 |
| Profit for the year | 18,076,117 | - | - | 18,076,117 |
| Dividends | (10,341,399) | - | - | (10,341,399) |
| Share issue | - | 1,263,095 | - | 1,263,095 |
| Share buy-back | (189,105) | - | 46,079 | (143,026) |
| Cost of share issue | - | (956) | - | (956) |
| At 31 December 2019 | 12,471,047 | 25,089,233 | 150,662 | 37,710,942 |

All comparatives are as noted in Statement of Changes in Equity on pages 63 and 64.

## 26. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Current: | | | | |
| Trade creditors | 1,045,363 | 388,655 | 93,403 | 112,378 |
| Consortium relief creditor | 292,869 | - | - | - |
| Amounts owed to group undertakings | - | - | 5,094,063 | 5,929,859 |
| Social security and other taxes | 317,811 | 294,155 | - | - |
| Dividends payable | 6,976 | 6,976 | 6,976 | 6,976 |
| Accruals and deferred income | 2,445,703 | 2,579,854 | 1,004,534 | 668,542 |
| | 4,108,722 | 3,269,640 | 6,198,976 | 6,717,755 |

Pension contributions owing at the year-end amounted to £3,821 (2018: £4,381).

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade creditors for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all creditors are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade creditors approximates to their fair value.

## 27. BORROWINGS

| GROUP | 2019 £ | 2018 £ |
|---|---|---|
| Bank loans and overdrafts | | |
| Amounts payable | | |
| - due within one year | 3,240,906 | 3,624,281 |
| - due within one to two years | 906,106 | 11,074,352 |
| - due within two to five years | 10,881,709 | 12,701,424 |
| - due after five years | 4,076,633 | 2,552,391 |
| | 19,105,354 | 29,952,448 |
| Other loans | | |
| Amounts payable | | |
| - due within one year | - | - |
| - due within one to two years | 3,000,000 | - |
| - due within two to five years | 12,840,518 | 10,000,000 |
| - due after five years | - | 9,962,191 |
| Amortisation of issue costs | (202,200) | (262,440) |
| | 15,638,318 | 19,699,751 |
| Analysis of loan repayments | | |
| Loans and overdrafts | | |
| - due within one year | 3,240,906 | 3,624,281 |
| - due within one to two years | 3,906,106 | 11,074,352 |
| - due within two to five years | 23,722,227 | 22,701,424 |
| - due after five years | 4,076,633 | 12,514,582 |
| Amortisation of issue costs | (202,200) | (262,440) |
| | 34,743,672 | 49,652,199 |

| COMPANY | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | | |
| Amounts payable | | |
| - due within one year | - | - |
| | - | - |
| Other loans | | |
| Amounts payable | | |
| - due within one year | - | - |
| - due within one to two years | - | - |
| - due within two to five years | 878,327 | 2,000,000 |
| - due after five years | 9,962,191 | 9,962,191 |
| Amortisation of issue costs | (180,677) | (226,569) |
| | 10,659,841 | 11,735,622 |
| Analysis of loan repayments | | |
| Loans and overdrafts | | |
| - due within one year | - | - |
| - due within one to two years | - | - |
| - due within two to five years | 878,327 | 2,000,000 |
| - due after five years | 9,962,191 | 9,962,191 |
| Amortisation of issue costs | (180,677) | (226,569) |
| | 10,659,841 | 11,735,622 |

Group bank loan arrangement fees of £763,350 are amortised over seven years, being the term of the associated loan. As at 31 December 2019 there are bank fees of £126,786 (2018: £332,180) offset against Group bank loans.

At 31 December 2019, Group bank loans total £19,105,354 (2018: £29,952,448).

Amounts totalling £9,381,025 (2018:£8,290,313) held with Triodos bank bear interest at a weighted average fixed rate of 4.28% (2018 - 4.6%). Of this amount, £4,092,583 (2018:£2,579,722) is repayable after five years. This amount bears interest at a weighted average fixed rate of 4.36% (2018:5.48%).

Amounts totalling £9,851,115 (2018:£21,662,136) held with Santander Bank bear interest at a weighted average fixed rate of 6.17% (2018 - 6.17%), of this amount £NIL (2018:NIL) is due after 5 years. The fixed rate of interest is achieved by the purchase of financial instruments (interest rate swaps) which are now shown as a liability on the balance sheet of the Group. The liabilities recognised at the year-end on interest rate swaps amount to £582,145 (2018:£1,034,011). The recognition of this liability is in effect the advance charge of interest over the life of the swaps (seven-year terms) and would therefore reduce the interest charged in each year on these loans to 2.85-3.25% (the bank interest rate) (2018:2.85-3.25%).

Bank loans are secured by first fixed and floating charges on the fixed assets of the subsidiary companies. The maximum term of any loan currently outstanding expires in 2030.

Other loans represent mezzanine loan finance which bears interest at a fixed rate of 4% (2018:6% fixed). In addition, the Group issued two bonds during 2016 of £3,000,000 from Thrive Renewables (Buchan) Limited for 5 years at 5.5% interest and £7,722,191 in Thrive Renewables Plc for 7 years at 5% interest. A further amount of £2,240,000 at 5% interest was raised by the second close in March 2017.

The Group's gearing ratio (calculated as debt/debt plus net assets) is 43% (2018: 60%).

## 28. LEASING

In 2018, prior to implementation of IFRS16, the group's commitments for property leases were accounted for as non-cancellable operating leases. All payments made for these commitments were credited to the profit and loss account as they became due. Disclosure of the minimum lease commitments payable each year under those leases was disclosed by way of a note as below:

| | NON-CANCELLABLE OPERATING LEASES | |
|---|---|---|
| GROUP | 2019 | 2018 |
| | £ | £ |
| Within one year | - | 261,872 |
| Between one and five years | - | 999,534 |
| In more than five years | - | 2,778,172 |
| | - | 4,039,578 |

From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability.

(i) The Company's leasing activities and how they are accounted for

The Company leases land on which the wind turbines they operate are located. Lease contracts are typically made for fixed periods of 20 years of operation or the period of which planning permission is granted on the site.

Leases typically include a minimum payment and a variable element based on revenue. As at 1st January 2019 the Company has recognised a right to use asset and a leasing liability based on these minimum payments. Variable elements are accounted for in the year as land rental payments.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of minimum lease payments only. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate the individual lease would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee (or another member of the Thrive Renewables plc group) as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability, until they take effect. When adjustment to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated over the lease term on a straight line basis.

(ii) Variable lease payments

Some property leases contain variable payment terms that are linked to revenue generated from the project. Variable payment terms are used for a variety of reasons, including minimising the fixed cost base of the Company. Variable lease payments that depend on revenue are recognised in profit and loss in the period in which the condition that triggers those payments occurs.

| | |
|---|---|
| Expenses relating to variable leases payments not included in lease liabilities (included in administrative expenses) | 113,060 |

The total cash outflow for leases in 2019 was £310,270.

| | LEASES | |
|---|---|---|
| **GROUP** | **2019** | **2018** |
| | **£** | **£** |
| Net obligations repayable: | | |
| Within one year | 119,063 | - |
| Between one and five years | 377,043 | - |
| In more than five years | 1,192,580 | - |
| | 1,688,686 | - |

| | LEASES | |
|---|---|---|
| **COMPANY** | **2019** | **2018** |
| | **£** | **£** |
| Net obligations repayable: | | |
| Within one year | 11,147 | - |
| Between one and five years | 7,627 | - |
| | 18,774 | - |

The amounts above represent the minimum future lease payments. There may be additional amounts payable based on revenue but these amounts are contingent on future performance.

Variable lease payments represent 1.9%-5% of turnover on various sites. For context, a 10% increase in turnover across all operational sites would increase variable lease payments by 2.5% of turnover.

## 29. FINANCIAL INSTRUMENTS

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the group consists of net debt (borrowings disclosed in note 27 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in notes 23 to 25). The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 120% to 140% determined as the proportion of net debt to fixed equity. The gearing ratio at 31 December 2019 of 32% (2018 87%) was lower than the target range due to large cash balances held at year end from the sale of 2 projects during the year.

### Net debt to equity ratio

The net debt to equity ratio at the year-end is as follows:

| | 2019 £ | 2018 £ |
|---|---|---|
| Debt | 34,743,672 | 49,652,199 |
| Cash and cash equivalents | (19,532,459) | (16,321,999) |
| Net debt | 15,211,213 | 33,330,200 |
| Equity | 47,004,230 | 38,243,888 |
| Net debt to equity ratio | 32% | 87% |

Debt is defined as long and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 27. Equity includes all capital and reserves of the Group that are managed as capital.

### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

| CATEGORIES OF FINANCIAL INSTRUMENTS | 2019 £ | 2018 £ |
|---|---|---|
| Financial assets: | | |
| Cash and bank balances | 19,532,459 | 16,321,999 |
| Fair value through profit and loss (FVTPL) – Inflation swap | - | 29,112 |
| Amortised cost: | | |
| Receivables | 625,513 | 1,034,246 |
| Accrued income | 3,038,785 | 2,243,587 |
| Loans | 13,221,138 | 11,091,906 |
| Financial liabilities: | | |
| Fair value through profit and loss (FVTPL) – Interest rate swap | (582,145) | (1,034,011) |
| Amortised cost: | | |
| Payables | (1,052,339) | (689,786) |
| Accruals | (2,445,701) | (2,579,854) |
| Borrowings | (34,743,672) | (49,652,199) |

### Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of assets stated in foreign currencies and;
- interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) analysis supplemented by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

All financial instruments are classified as level 2 per the fair value hierarchy.

## 30. DEFERRED TAX

| GROUP | 2018<br>£ | 2018<br>£ |
|---|---|---|
| Balance at 1 January | 4,786,185 | 5,830,826 |
| Credit to profit & loss account | (11,333) | (1,041) |
| Impact of sale of subsidiaries | (390,922) | - |
| Transferred to assets held for sale | - | (1,043,600) |
| Balance at 31 December | 4,383,930 | 4,786,185 |

The amounts of deferred taxation provided in the financial statements are as follows:

| GROUP | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Accelerated capital allowances | 3,091,643 | 3,026,903 |
| Tax losses carried forward | (170,704) | (264,957) |
| Deferred tax on derivatives | (156,238) | (170,834) |
| Short-term timing differences | (26,945) | (29,544) |
| Deferred tax on development costs | 1,646,174 | 2,224,617 |
| | 4,383,930 | 4,786,185 |

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Deferred tax assets | 39,044 | 119,507 |
| Deferred tax liabilities | (4,422,974) | (4,905,692) |
| | (4,383,930) | (4,786,185) |

The company has a deferred tax asset of £34,197 (2018 : £25,150).

In the budget in March 2020 the Government announced they were reversing legislation for the reduction in corporation tax from 19% to 17% which was due to take effect on 1 April 2020. As stated in our accounting policy deferred tax is calculated at rates that have been enacted at the balance sheet date. Therefore, the above liabilities have been calculated using the 17% corporation tax rate. The difference in deferred tax liabilities if calculated at 19% is £515,390.

## 31. CONTINGENT LIABILITIES

By an agreement dated 24 July 2006, the company agreed to acquire the entire issued share capital of Hainsford Group Limited (now Thrive Renewables (HGL) Limited). Under the terms of this agreement, additional deferred consideration may become due and payable based on operating performance and prevailing market electricity pricing, calculated on an annual basis.

Any additional consideration payable is calculated in accordance with agreement. For the period when the additional consideration is payable, the company is under an obligation to conduct the business within certain parameters as set out in the agreement. Should the Company wish to act otherwise than in accordance with the agreed parameters, the Company may be obliged to make a buyout payment to the sellers as determined in accordance with the agreement. In 2019 the charge to profit and loss was £232,227 (2018:£641,846). The additional consideration is only payable to 31st March 2019.

HSBC Bank has issued a performance bond in the sum of £48,000 in relation to certain undertakings given by the Group Company Thrive Renewables (Caton Moor) Limited in respect of planning obligations at its wind farm site. The maximum contingent liability of the Company is equal to the bond.

## 32. RELATED PARTY DISCLOSURES

During 2016 the Group raised new investment by way of bonds. The following is the Director's interest in those bonds as at 31 December 2018 and 2019.

| | THRIVE RENEWABLES (BUCHAN) | THRIVE RENEWABLES PLC |
|---|---|---|
| Charles Middleton | - | £10,000 |
| Simon Roberts | £3,000 | £3,000 |
| Peter Weston | £15,000 | £15,240 |
| Matthew Clayton | £3,000 | - |
| Monika Paplaczyk | £400 | - |

The Company operates a community benefit scheme which is managed by the Centre for Sustainable Energy (CSE). The Chief Executive of CSE is Simon Roberts a Director of the Company. During the year management fees of £4,850 were paid to CSE (2018 - £4,400) and no amounts were outstanding at the year end.

## 33. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Profit before income tax | 18,443,921 | 3,934,430 |
| Depreciation charges | 4,674,360 | 5,470,378 |
| Gain on sale of subsidiaries | (15,429,233) | - |
| Finance costs | 2,550,324 | 3,424,584 |
| Interest on leases | 73,054 | - |
| Finance income | (1,224,120) | (1,237,348) |
| Fair value adjustment to derivatives | (122,725) | (580,088) |
| | 8,965,581 | 11,011,956 |
| Share of profit of associates | (95,790) | (176,245) |
| Increase in trade and other receivables | (596,060) | (416,587) |
| Increase in trade and other payables | 490,672 | 437,165 |
| Cash generated from operations | 8,764,403 | 10,856,289 |

## 34. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

| YEAR ENDED 31 DECEMBER 2019 | 31.12.19<br>£ | 1.1.19<br>£ |
|---|---|---|
| Cash and cash equivalents | 19,532,459 | 16,321,999 |

| YEAR ENDED 31 DECEMBER 2018 | 31.12.18<br>£ | 1.1.18<br>£ |
|---|---|---|
| Cash and cash equivalents | 16,321,999 | 11,563,227 |

## 35. SUBSIDIARY UNDERTAKINGS

Details of the subsidiaries and other investments are as follows:

| NAME OF COMPANY | CLASS | OWNED | COUNTRY OF INCORPORATION | PRINCIPAL ACTIVITY |
|---|---|---|---|---|
| Thrive Renewables (Caton Moor) Limited* | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Ness Point) Limited* | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Sigurd) Limited* | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Severn) Limited* | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Beochlich) Limited | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Haverigg II) Limited | Ordinary | 100% | England | Energy supply |
| Brunel Wind Limited | Ordinary | 100% | England | Holding company |
| Thrive Renewables (HGL) Limited | Ordinary | 100% | England | Dormant |
| Thrive Renewables (HL) Limited* | Ordinary | 100% | England | Dormant |
| Thrive Renewables (HEL) Limited* | Ordinary | 100% | England | Dormant |
| Thrive Renewables (Buchan) Limited | Ordinary | 100% | England | Holding company |
| Thrive Renewables (Dunfermline) Limited | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Eye) Limited | Ordinary | 100% | England | Energy supply |
| TR (Fenpower) Limited | Ordinary | 50% | England | Holding company |
| Fenpower Limited* | Ordinary | 25% | England | Energy supply |
| Thrive Renewables (Bristol) Limited | Ordinary | 100% | England | Holding company |
| Thrive Renewables (Cambridge) Limited | Ordinary | 100% | England | Holding company |
| Thrive Renewables (March) Limited* | Ordinary | 100% | England | Energy supply |

| NAME OF COMPANY | CLASS | OWNED | COUNTRY OF INCORPORATION | PRINCIPAL ACTIVITY |
|---|---|---|---|---|
| Thrive Renewables (Auchtygills) Limited* | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Clayfords) Limited* | Ordinary | 100% | England | Energy supply |
| Thrive Renewables (Boardinghouse) Limited | Ordinary | 100% | England | Holding company |
| Thrive Renewables (Girvan) Limited | Ordinary | 100% | England | Energy company |
| Boardinghouse Windfarm Limited* | Ordinary | 75% | England | Energy supply |
| Green Breeze Energy (Holdings) Limited | Ordinary | 50% | Scotland | Holding company |
| Green Breeze Energy Limited* | Ordinary | 50% | Scotland | Energy company |
| Aura Power Energy Solutions Limited | Ordinary | 50% | England | Energy company |

* ownership held indirectly

The registered office of all subsidiaries and associates is Deanery Road, Bristol, BS1 5AS apart from:-

Green Breeze Energy (Holdings) Limited and Green Breeze Energy Limited - E Centre, Cooperage Way, Alloa, Clackmannashire, Scotland, FK10 3LP.

Boardinghouse Windfarm - 14 High Cross, Truro, Cornwall, TR1 2AJ.

Fenpower Limited has 43 A shares, 127 B shares and 85 C shares all with £1 nominal value and all having equal voting and dividend rights. Thrive Renewables owns 100% of the B shares.

## 36. POST BALANCE SHEET EVENTS

**Investment into United Downs Geothermal limited**

In February 2020, Thrive committed to investing up to £6.5m into United Downs Geothermal. Details of the investment can be found on page [17]. At the time of writing Thrive has invested £1,225,159 via a mezzanine loan facility. Thrive is presently co-funding the final testing of the geothermal heat resource, and has the opportunity to acquire shares in the project, funding the construction and commissioning of geothermal power plant following the finalisation of the final test. The final testing was due to take place in March 2020, however, due to the Covid related travel restrictions, both key parts and personnel have not been available. Once travel restrictions have been lifted, the final testing will take place. Subject to the resumption of testing in 2020, we don't anticipate any negative impact on the overall value of Thrives investment.

**Thrive Renewable plc and Thrive Renewables (Buchan) limited Bond purchase**

In response to the Covid pandemic and the consequential lock down, Thrive is conscious that investors may be facing financial circumstance which were not expected at the point of investment. Whilst Thrive Renewables Bonds can already be sold through the existing marketplace available on Abundance, and Thrive Renewables (Buchan) bond can be sold on Ethex, we recognise that for those people experiencing financial difficulties, speed and certainty is important. Therefore, one of Thrive Renewables plc's subsidiaries, Brunel Wind Limited, has offered to be on the marketplace as an available buyer and will purchase bonds at fair value for those who wish to sell on 4th May and 30th June 2020. At the time of writing the number of bonds to be purchased by Brunel Wind Limited in unclear, however, the group has the funds available to purchase all bonds in the unlikely event that all bondholders wish to release their bond investment early.

**Covid 19 pandemic**

The lockdown imposed in response to the Covid 19 pandemic has required the adaptation of Thrives operations. The specific exposures Thrive has to the Covid 19 pandemic are explained on pages [22 and 38]. At the time of writing the Directors are satisfied that the Company continues to deliver as usual with adapted operational practices to respect the social distancing measures. The Directors will continue to monitor the evolving situation and the effectiveness of mitigation measures in place.

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Thrive Renewables plc is a public limited company, registered in England with registered office at Deanery Road, Bristol, BS1 5AS (registered number 02978651)

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